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India After Election

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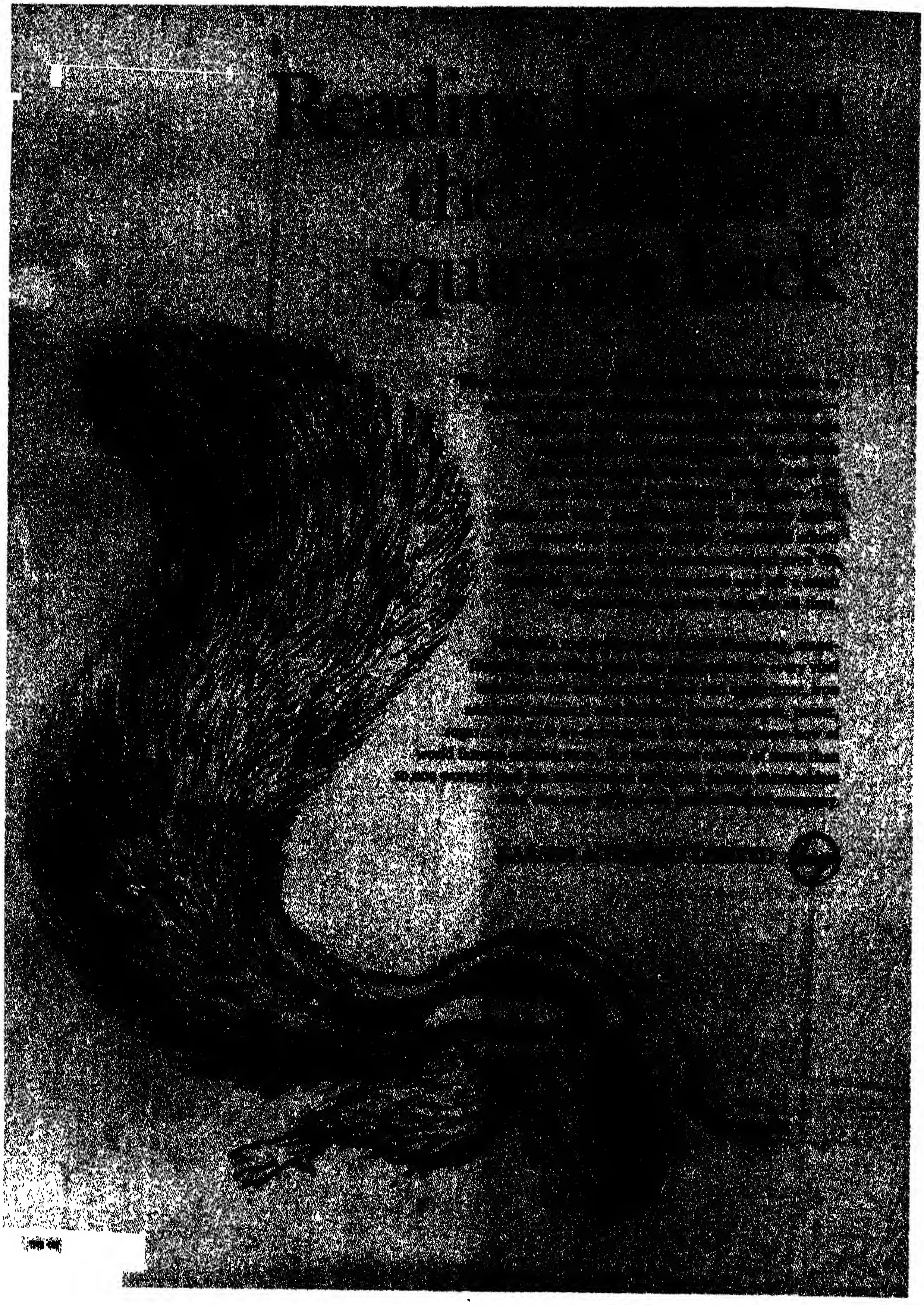

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THE PEOPLE HAVE SPOKEN

V. BALASUBRAMANIAN

It is among the compelling disciplines of the democratic way of life that those who believe in it should not only accept but also respect the will of the people expressed through constitutional processes and procedures. Although many of us may have desired that the verdict of the ballot box should have been different from what it actually has been, we must therefore reconcile ourselves, nevertheless, to giving the new dispensation a fair trial according to the rules of the game of the system of parliamentary government.

This obligation becomes all the more imperative when considered in the light of the massive vote of confidence which Mrs Gandhi has received. The people have elected her to supreme power in the government as much for herself as for the promises she has made, the expectations she has aroused or the hopes she has held out to them on behalf of her party. It has been promptly noted in the press or elsewhere that this election has essentially been a referendum on her claim to govern the country with effective and almost personal authority for the next five years. The Demos, in its wisdom, has concluded that this claim must be conceded and has voted her to power again.

In the face of this sweeping declaration of the people's wishes, it would not merely be politic but also patriotic for opposition groups in the Lok Sabha and the larger opposition forces in the country to approach the issue of their future relations with the ruling party with a high sense of responsibility as well as a certain feeling of humility. This would mean that, in Parliament, those who sit on the opposition benches should conscientiously try to extend constructive co-operation with the government on all those occasions when the latter proposes or seeks to act in the larger interests of the country and for the good of the people.

It is a treasured belief in democratic countries that it is the duty of the opposition to oppose. This is undoubtedly a sound principle for the healthy functioning of the party system. But, in the special conditions created by the latest general election in our country, it has become desirable that this principle should not be practised as a dogma. In other words, in the new Parliament the opposition groups will serve the country as well as their own interests best by pledging themselves to discuss proposals, policies, programmes or decisions of the ruling party on specific merits and respond to them in terms of their evaluation of the worth of those measures. Otherwise, the proceedings in Parliament will be reduced to a crude form of majority rule, with sulking opposition groups ineffectually sniping at the party in power or its leaders. Should this happen, the progress of the democratic way of life in our country would meet with an even more serious setback than it has suffered already through the drastic diminution in opposition presences as a result of this general election. There can be only one single guideline for the opposition groups in Parliament in the days ahead and this is to be phrased as "responsive co-operation".

Outside the legislature, there will be an even greater need for the political parties which have been routed in this election to rise above petty short-term considerations and take a long view of their own and the country's interests. It will really be of great importance that they should do nothing to encourage extra-parliamentary pressures or engineer or exploit extra-constitutional movements for creating political instability in the country or otherwise making it impossible or even difficult for the ruling party to function in a smooth and orderly manner and in the clear terms of the impressive mandate it has received from the electorate to pursue economic growth and social justice as twin objectives.

This is an obligation which rests particularly heavily on those political parties in opposition which are pledged to the democratic way of life. As will be explained later, there is inherent in the post-election situation a risk that the communist movement in this country may be tempted or forced to give up its pretence of playing the parliamentary game and return to its basic tactics of sabotage, subversion, terrorism and, in more general terms, indulgence in the politics of violence. Whatever differences other opposition parties may have with Mrs Indira Gandhi or her party or however resentful or bitter they may be because of their catastrophic failure in the election, they should not commit the folly of thinking in terms of any kind of political conduct which would weaken the authority of parliamentary institutions and thereby make it easier for the communist movement to follow its fami-

liar strategy of generating political instability and then exploiting it for its own ends. If this election has had any good result at all, it is that it has placed a party and its leadership in power on terms, which entitle the electorate to hold the leadership of that party strictly accountable for fulfilling its promises of stable government, economic expansion and social welfare. The democratic parties and forces which are now in opposition should therefore act both inside Parliament and outside in such a way that the ruling party is not given any excuse for not discharging the responsibilities which it has deliberately invited and for discharging which it has been given effective authority by the electorate.

Turning the Clock Back

V. BALASUBRAMANIAN

THIS GENERAL election stands in an interesting and perhaps odd relation to its predecessor. In a relatively minor respect, the election of 1971 has continued a process which was dramatically initiated by the general election of 1967. On that occasion, many individual political leaders who seemed indestructible in the public life of our country and who had been more or less continuously in power in government suffered defeats at the polls, often at the hands of comparatively unknown or at least unfancied opponents. That election in fact spawned a race of "giant killers" and most of the redoubtable figures who were thus brought down by it were of the then undivided Congress party and not a few of them were powerful bosses at the state level enjoying the reputation of king-makers.

The general election recently concluded has carried a step further this process of the demolition of hoary personalities or their political reputations. There have indeed been a number of cases where political leaders who failed to make the grade at this election were merely repeating their failures of 1967. By and large then this fifth general election since Independence has improved upon the general election that had gone before in the matter of diminishing the presence in the legislatures of an older generation of leadership seeking to derive its authority or influence largely from the prominent part it had played in the freedom struggle of the thirties or still earlier years. It is true that Mr Morarji Desai is in the new Lok Sabha, but he exists only as a token of a dwindled and disappearing tribe.

A Note of Continuity

To this extent this general election has struck a note of continuity with the one that had preceded it, but in another and vastly more important respect, it has violently reversed the process of change that had emerged out of the ballot box in 1967. The general election of that year had dramatically changed the structure and substance of the country's politics. The monolithic presence of a single political party dominating public affairs and government both at central and state levels was shattered in 1967. Its majority in the Lok Sabha was greatly reduced declining from 361 in 1962 to 281 in 1967, while in the state assemblies of Kerala, Madras, Orissa West Bengal, Bihar, Uttar Pradesh, Rajasthan and Punjab, it failed to secure absolute majorities. Again, in only five out of these eight states could it have the satisfaction of being at least the largest single party.

The corollary to these developments was the rise of other national or regional parties on the political horizon. For the first time since Independence, regional parties such as the DMK in Tamil Nadu, the BKD in UP and the Akalis in Punjab were able to capture power in state assemblies. At the national level, some all-India parties, notably the Swatantra Party and the Jana Sangh could muster a substantial presence in the Lok Sabha. In the state of Orissa, the Swatantra Party was also able to form a ministry. The communists for their part became a forceful and often decisive presence in West Bengal besides retaining pre-eminence in the politics of Kerala.

Effective Party System

In basic political terms, the changes brought about by the election in 1967 indicated that the country had at last started travelling in the direction of an effective party system of government. At the same time, at the centre, a lively multi-party system had been ushered in and although the second largest party in the Lok Sabha, the Swatantra was way behind the Congress in strength. Along with the Swatantra and the Jana Sangh, the communists were able to lend variety to the parliamentary scene. Reviewing this state of affairs, *Eastern Economist*, in a post-election survey published on March 24, 1967, wrote as follows:

"No single individual now dominates the nation's ruling party, nor does this party dominate the nation. The vital distinction between the state and the government of the day has been formally established and so also the distinction between government and the political party to which the government belongs. The citizen has thus been made proud of his citizenship. Now the subject is also the sovereign, for the politician has been forced to come to terms with the people".

It would now appear that we were in too much of a hurry to celebrate. The general election of 1971 has sharply set the clock back where the evolution of the party system of government is concerned. Once again a single party dominates the nation and is itself dominated by a single individual. We are back to the days of "one leader and one party." Indeed the situation in this respect is much worse today than it was when the Indian National Congress, by virtue of its role in the freedom struggle, was virtually regarded both at home and abroad as almost the only legitimate political force or authority in India after Indepedence. By the same token, the position today is worse than what it was when Jawaharlal Nehru, riding on the crest of a wave of popularity and public acceptance, could think of himself as India's man of destiny.

Main Opposition Trounced

It is true that the undivided Congress party held a larger number of seats in the Lok Sabha after each one of the first three elections than the 'ruling' Congress has secured as a result of the fifth general election. Now the Congress has won 350 seats (with elections to be held later in three constituencies) in a House with an elective strength of 518. This works out to 69.5 per cent of the total number of seats. As against this the relevant percentages were 74.5 in 1952 and 1957 and 72.9 in 1962. But this time, the Jana Sangh and the Swatantra, the main opposition parties, which had temporarily succeeded in establishing substantial presences in the Lok Sabha as a result of the election in 1962 have been trounced so thoroughly that the party now in power has achieved a dominance which is even more than in proportion to its presence, massive by any standard, in the new Lok Sabha.

More important still, although the personality and mystique of Jawaharlal Nehru had always played a very large part in the first three general elections which were virtually presided over by him, it has remained for Mrs Indira Gandhi to fight the national election in the simple terms of a presonal claim to

rule the country with undisputed authority. As a result, the electorate has not only voted for one particular party against almost all others but has also voted essentially for one particular individual whom it has singled out from all other leaders in the favoured party. The parliamentary form of government has thus been given overnight the complexion of a presidential form of government.

No doubt politics at state level has still to feel the full impact of this transformation in the landscape at the central level. It is, however, only a question of time before the message goes down. The reverses suffered in the Lok Sabha election by the Akali party which is in power in Punjab or the group of Congressmen who are in power in Gujarat and who are opposed to Mrs Indira Gandhi's leadership, indicates that she and her party are now in a strong position to make a bid for the control of the state assemblies concerned when elections are held for them in a few months' time or sooner, This is even more true of Mysore where the party in power, again a group of Congressmen opposed to Mrs Gandhi's leadership, have suffered total defeat at the general election to the Lok Sabha. At the time of writing, the Veerendra Patil ministry has resigned as a result of desertions from its ranks which have deprived it of its majority in the assembly.

The picture, however, is different in West Bengal where the mid-term poll to the state legislature held simultaneously with the general election to the Lok Sabha has resulted in an effective confrontation between Mrs Gandhi's party and the CPI(M). Here neither side has sufficient strength to form a stable government of its own although Mrs Gandhi's party seems to be somewhat better placed to woo or win allies. Given the prestige that goes with Mrs Gandhi's domination of the centre, her party may well hope to hold more than its own in the thrust and parry of its struggle with the CPI(M), which may be expected to take place both within the state legislature and outside.

Exploiting the Advantage

In Orissa, where again there has been a mid-term poll simultaneously for the state legislature and the Lok Sabha, Mrs Gandhi's party is in a better shape than it is in West Bengal. Although it does not have a majority for forming a ministry, still, as the single largest party, it is in a position to influence events there decisively. It may be expected that it will exploit this advantage to the full so that even if it does not care or attempt to form a ministry of its own in Orissa, it can ensure that no ministry functions there without its blessings.

In Uttar Pradesh and Bihar, which are ruled by alliances of parties opposed to Mrs Gandhi, her stupendous electoral victory has so sharply altered the balance of political power to her advantage that Mrs Gandhi can almost sit back and wait for developments which will enable her to capture power in the state assemblies concerned.

The situation in Tamil Nadu is peculiarly interesting in that, due to an electoral understanding with the DMK, Mrs Gandhi has deliberately taken her party out of the contests for the state legislature. The normal consequence of this should have been the virtual extinction of the influence of Mrs Gandhi in the politics of the state. Actually things are likely to work out differently. This is because the electoral understanding between her party and the DMK has extended to the contest for the Lok Sabha where the two hope to function in a mutually friendly way, the DMK having secured a block of votes which, while not being indispensable to Mrs Gandhi for dominating the Lok Sabha, can still be useful on occasions for reinforcing the authority of her government in the House.

An Important Point

The important point here is that, while the people of Tamil Nadu have returned the DMK to power in the state with a strength in the state assembly as overwhelming as Mrs Gandhi's in the Lok Sabha, they have simultaneously shown by the support they have given to her candidates for the Lok Sabha their share in the nationwide enthusiasm for her party. In these circumstances, it may be expected that Mrs Gandhi will attempt, sooner or later, to explore ways and means of strengthening her party in the state politics in Tamil Nadu, if possible without alienating the DMK. Her partymen in Tamil Nadu will certainly be keen on her exerting herself to strengthen the party in that state.

In Kerala, an alliance led by the CPI (the so-called mini-front) is already in power with the support and co-operation of Mrs Gandhi's party.

It follows, that in national as well as state politics, all-India parties other than the one led by Mrs Gandhi have suffered almost total eclipse. As for the regional parties, the DMK in Tamil Nadu provides the solitary instance of a party which has managed to maintain its individual personality in the changed political context. It has indeed strengthened its position, but it must be noted that it has done all this as a declared ally of Mrs Indira Gandhi's party and by pledging to support her and her policies in the Lok Sabha.

It is interesting to note that the CPI has secured the same number of seats, namely 23, in the Lok Sabha in this election as it did in the last. Qualitatively, however, its performance this time is diluted by the fact that there has been no confrontation between it and Mrs Gandhi's party. On the contrary, in Tamil Nadu, it had campaigned as a member of an electoral front headed by the DMK and of which Mrs Gandhi's party was also a member, while, in Kerala, it is in regular alliance with this party. The CPI would certainly have secured fewer successes had it gone it alone.

The performance of the CPI(M), however, tells a different story. With 25 seats in the new Lok Sabha, it has gained the distinction of being the largest single group on the opposition benches and this in terms of a very real and direct confrontation with Mrs Gandhi's party. In addition, the CPI(M) has been able to foil the bid of Mrs Gandhi's party to secure control of the legislature in West Bengal and has indeed been able to emerge as the largest party in the legislature of that state. Nevertheless it could be said that, over the country as a whole, the communist movement, including the CPI(M) part of it, has failed to make significant headway in its effort to establish itself in strength in the legislatures and manipulate them for its purpose.

Nominal Presence

As for the rest of the Left spectrum in our politics, the SSP and PSP have dimmed to the point of extinction. Their presences have been rendered nominal in the Lok Sabha and they do not seem to have any independent future left whether here or in any of the newly elected state legislatures.

The Jana Sangh, Swatantra and the Congress party opposed to Mrs Indira Gandhi, the three of which formed the main thrust of opposition to her in this election, have suffered the most in their hopes and plans for the future, both collectively and individually. They have virtually been routed in their bid for positions of strength in the Lok Sabha. They command among themselves only 46 seats and even if the SSP tally of three is added to this number, the total would still fall short of the minimum of 52 seats which would quali-

fy this combination to achieve the status of a recognised opposition party in the Lok Sabha.

Theoretically, it is possible for this combination of parties to acquire additional strength by winning over to it some of the Independents who include members who had contested in the election with the support of one or the other of these parties. There is the possibility, however, that there may well be some defections from the group of Congressmen who opposed Mrs Gandhi's party in the election or the Swatantra party to the ranks of the party in power. This apart, there is the even more basic question whether these three or four parties are in a mood or have morale left for persevering with the front they had formed on the eve of the election. Already a debate has arisen among them whether this alliance itself was sound strategy. The leaders of the Jana Sangh and the SSP have indeed started talking in terms of chalking out independent courses. It is possible that Mr Morarji Desai and Mr Kamaraj among the Congressmen opposed to Mrs Gandhi's party and Swatantra leaders like Mr H.M. Patel may be reluctant to give up thoughts of achieving co-ordination of some kind or the other among democratic groups on the opposition benches in the new Lok Sabha. But unless Mr Vajpayee and other policy-makers in the Jana Sangh are prepared to cooperate with them, nothing much can come out of their efforts.

At the moment of writing, the prospects of a numerically substantial or otherwise effective democratic opposition being organised in the Lok Sabha look very remote indeed. It is significant that Rajaji, who seems to have sensed this earlier than others, has been talking in terms of a democratic union which could build itself through mass political activity outside the legislatures. He has apparently concluded that Parliament and state legislatures have ceased or may soon cease to be an effective forum for a democratic debate on government policies for the next few years.

The trouble however is that, both by ideology and training, democratic parties are less able to function outside the legislatures than communist forces. The great danger to the country, therefore, is that, in the future immediately ahead, the communists, especially the CPI(M) or its even more extreme aberrations may find the Indian polity a fertile ground for their strategies of infiltration and subversion. By virtually exiling some of the democratic parties from the Lok Sabha, this election has undone the work of its predecessor which had initiated a hopeful process of growth of a democratic, multi-party system in the country. In this sense the nation has paid heavily indeed for the benefit of stability in the central government that may be assumed to go with Mrs Gandhi's control of Parliament.

Neither Miracle Nor Mystery

V. BALASUBRAMANIAN

As THE first flush of her party election successes came over, the Prime Minister went on record to the effect that she was not surprised. This perhaps was true. All the same, the sweeping triumph of her party at the polls did take the country and the world by surprise. For this, there were some very good reasons. In the first place, although Mrs Gandhi herself has the advantage of being an all-India figure and indeed the only all-India figure on the scene, there are few among her colleagues who are not dogged by communal, regional or other limitations. Some of her colleagues in fact are highly controversial politicians, who are able to hold on to their special positions only through Tammany Hall tactics. It seemed to many of us that such a leadership was unlikely to inspire any kind of a ground-swell in its favour.

Then there was the undeniable fact that Mrs Gandhi's party was inadequately organised in the country at large. Even before the split in the Congress, that party had weakened considerably in organisational terms. This was due to several factors. The Congress won the first three general elections effortlessly. This it owed largely to Jawaharlal Nehru's charisma. The Nehru spell in fact had become for his party a substitute for mass contact. Again, since the Congress had been the ruling party for year after year it had begun to think of itself as the alter ego of the government rather than as a voluntary political organisation which could remain strong and prosper only by cautiously cultivating its constituents. In these circumstances, the leadership began to attach less and less importance to the healthy functioning and development of the party machinery. This had serious adverse consequences, particularly in terms of the younger generation which had no personal awareness of and therefore no sentimental loyalty to the Congress party as the supreme instrument of the freedom struggle.

In those earlier years when the Congress party had to inspire and lead the freedom movement against the foreign rule, it had deliberately chosen to involve itself deeply in the lives and problems of the minority or backward communities with a view to making them feel that they were as much a part of the nation as the majority community. With the partition of the country and the creation of Pakistan and India as separate states and also the abolition of untouchability by a declaration incorporated in the Constitution, there came over the Congress party a feeling that the minorities had ceased to be special interests and that they might be expected to get into the mainstream of national life in the ordinary course. Following this, the Congress seemed to lose its sense of urgency or special concern for their problems and, as a result, it was becoming increasingly detached from the lives and feelings of these people.

Arrogance of Power

Added to this, was the arrogance that years of power as the dominant political party in the nation had bred into the Congress organisation. It seemed as if the leadership of the party thought that it had an inalienable right to govern the country by virtue of its role in the freedom struggle. Thus taking the people for granted, the Congress party had been consistently neglecting its organisational fences which were falling into disrepair. In contrast, other political parties, which were insignificant in the years immediately after freedom, were steadily building up their organisations and developing their access to the people.

The communist movement in the country stood foremost in this task and devoted its energies wholeheartedly to extending its organisational appeal and strength to the grassroots and developing a cadre of loyal and even fanatical workers with a sense of mission. The Jana Sangh, another party with strong ideological motivations, came nearest to emulating the communist movement in organising itself in terms which made it possible for its workers to function purposefuly in spreading its political ideas and views among the people. Two other all-India parties, namely the PSP and the Swatantra, also took active interest in their organisational aspects. The thrusts of their efforts in this direction, however, were inhibited by the fact that each of them, in its own way, could appeal only to middle class

intellectuals whose political significance obviously, was of a limited nature. The PSP no doubt was successful to some extent in extending its influence to the trade union movement but even so it never achieved sufficient organisational strength, partly because it could not boast of any outstanding leadership. As for the Swatantra, it never got off the ground as a people's movement and although it had a fairly active and enthusiastic membership, the quality of its appeal remained essentially intellectual.

The decline in the organisational strength of the Congress through the fifties and the early sixties and the corresponding improvement in the organisation and popular standing of parties such as the communists and the Jana Sangh made a dramatic impact on the ballot box in the fourth general election which was held in 1967. The Congress lost its position as the dominant political force in the nation. Although it retained an effective majority at the centre and in several states, it could no longer dictate to its political opponents in the manner it had been doing for 20 years from 1947. An interesting outcome of the poll in 1967 was the emergence into the political limelight of certain regional parties almost overnight. Such a development was little expected even on the eve of that election. The DMK in Tamil Nadu and the Akalis in Punjab became formidable and successful bidders for power at the state level.

Thus, the election of 1967 had revealed the organisational weakness of the Congress party even as it was before the split. When the split occurred, it seemed that such organisational strength as the Congress might boast of would adhere to the group which had opposed Mrs Gandhi. In the months following the split, she herself was so fully occupied in holding her position in the government and holding together her party in Parliament that she had little time to attend to building a party organisation of her own. When the announcement came that there was to be a general election for the Lok Sabha this year, there was little evidence that Mrs Gandhi's party had anything like an adequate organisational machinery to work effectively for the success of her party in the polls, whereas it was generally believed—and it was indeed the case—that the opposition parties such as the CPI(M) and the Jana Sangh had an abundance of organisational resources to fall back upon.

The feeling that Mrs Gandhi's party was organisationally weak and the suspicion that this would militate against her chances of achieving any great success for her party in the election prompted a general view that, in opting for an election to the Lok Sabha a year earlier than the due date, in the hope that she would be able to secure an absolute majority in the new Lok Sabha, Mrs Gandhi was gambling on her popularity with the masses. This view was reinforced by the fact that her radical postures had alienated or undermined the confidence in the government of important sections of the community which might be expected to pull together to prevent her party from acquiring a position of influence in

the Lok Sabha. The melodramatic nationalisation of leading commercial banks, which involved the central government riding rough-shod over constitutional and legal proprieties, the abortive attempt to abolish the privy purses of princes in clear violation of constitutional obligations, the continuous tirades by spokesmen of the government or the more exuberant members of the Prime Minister's party against big business, big farming and the more affluent sections of the community generally, the apprehension that the Prime Minister was apt to strike dangerous compromises with communist groups, the clear evidence that she was encouraging regional parties such as the DMK, in the face of their separatist attitudes, mainly because she needed their support in the Lok Sabha and the propaganda of her political opponents that the Prime Minister was unduly dependent on the Soviet Union in her internal and external policies seemed to have created widespread feelings of anxiety and uneasiness among the public.

Political Violence

Then there was the state of the nation. In the important area of law and order, it was only too easy to blame the central government for failure to discharge its basic obligation for maintaining the people's peace especially in West Bengal. The prevalence of political violence in that state, the Naxalite terrorism which seemed to defy the law enforcement agencies of the government, the shattering of industrial peace by violent demonstrations and the consequent dislocation of production, the closure of factories and the flight of capital from West Bengal were all considered black marks against the central government and since the Prime Minister herself held the portfolio of Home, it was believed that the people would have a poor idea of her claim and capacity to govern the country.

On the economic front, although the green revolution and the selective expansion of industrial activity had improved the material circumstances of specific areas or communities of people in some parts of the country, the national economy as a whole showed only too obviously signs of imbalance between the slow growth of the gross national product on the one hand and the rise in the needs and expectations of a rapidly growing population on the other. The cost of living was going up aggravating the economic burden on fixed income groups, particularly the urban lower middle class, employment opportunities were lagging behind the spread of education, both general and technical, and it was only too clear that, in comparison with certain other developing countries, India was not progressing as well as it should have done in terms of its potentialities. All this, it was thought, would go to the discredit of the party in power.

Finally, there was the effort made by four of the main parties in opposition to come together and forge a national democratic front which would help to consolidate to their advantage much of the anti-Indira Gandhi party vote in the country. The argument here was that, although she had achieved an understanding with the CPI, the other and the larger wing of the communist movement, namely the CPI(M), would help split the 'radical' votes at the expense of the Prime Minister's party while the centrist and rightist votes might be expected to coalesce into a formidable bloc against Mrs Gandhi's party.

It was with these and similar considerations at the back of their mind that many people thought that the Prime Minister's party might not succeed even in securing the same number of seats in the new Lok Sabha as it had held in the dissolved House. When this calculation was upset dramatically with Mrs Gandhi not only being able to obtain as absolute majority in the Lok Sabha but also a more than two-thirds majority, there was excited talk of a miracle or a mystery. In retrospect, however, it is not difficult to see why Mrs Gandhi triumphed so dramatically, while it was true that, although her party was lacking in organisational machinery, many of us failed to realise that this deficiency was more than made up by the fact that the entire machinery of the central government was at the call and command of Mrs Gandhi by virtue of her being Prime Minister at the time of election.

Prime Minister's Image

The Prime Minister wrung the last drop of advantage not only out of the prestige and patronage which were hers but also out of the physical and organisational resources of the government apparatus. It is not implied here that government officials went from door to door like party workers canvassing votes for the Prime Minister and her candidates. But her election tour of the country was organised in such a way that not only was the official machinery fully exploited for its success but an atmosphere of governmental participation was created about her electioneering. Once the organisational deficiencies were thus remedied, the Prime Minister's image was well qualified to do the rest.

Some cynical observers of this election have tended to conclude that the Indian people have not yet worked themselves free of their historic habit of mind which was to regard 'government' more as a gift which is in the giving of some superior personage than as a mainly utilitarian people's institution. To agree with this characterisation of the Indian democracy would be to yield to a mood of excessive frustration. What may be closer to the truth is that there is a large element of adolescence in the evolving parliamentary system of government in our country. A proper appreciation of the role of parties in this form of government is still to dawn on our people. In this interregnum, the electorate is liable to be swayed by individual politicians who happen to be talented in ways which impress the masses.

Relentless Campaigner

It is here that modern means of mass communication come into their own. Without any practical achievements to support her claims, the Prime Minister has been able to project herself as the White Knight of Radicalism who would abolish poverty and unemployment from the land if only lesser people, with their mean spirit and meaner ways, were not for ever obstructing her. Although she is a woman in her middle fifties, Mrs Gandhi, again, has been able to capture the imagination of the younger generation as the one political leader who could understand their groping for values. To the minority, she is their defender against the tyranny of the majority. To the poor and the dispossessed millions, she is the relentless campaigner against the privileged few in the country. For the women who form possibly the better half of the effective electorate, she is not only one of them but is also the only one among them who has successfully challenged the doctrine of the superiority of the Male. Above all, she is not only all things to all people, she is virtually the people. This at any rate was the prevailing mood and belief in which so many millions of voters voted so many of her candidates to the Lok Sabha. Her election propagandists had proclaimed 'Indira Gandhi is *You*; vote *Yourself* to power.' The slogan certainly worked.

We have seen how, in the case of the Prime Minister, the lack of adequate party organisation was made up by the government machinery imposing itself on the election scene. The government machinery also proved to be more than a match for the organisational strength of the Jana Sangh although in the case of the CPI(M) in West Bengal, the government machinery could only barely hold its own. It may be asked what became of the other factors which were believed to be against Mrs Indira Gandhi's party

securing a substantial majority in the Lok Sabha. The issue of law and order turned out to be a double-edged weapon. Against the argument that the government had demonstrably failed to protect the people's peace, particularly in West Bengal, was the proposition that this made it all the more necessary that the new government at the centre should be a strong and stable one if the country was not to run the risk of breaking up. In this connection, the disturbing record of coalition governments in the states probably had its own effect on the psychology of the electorate. The prospect of no party being in a position to form an government at the centre, thereby necessitating uneasy coalitions of distrupted partners might have frightened quite a large number of the electorate. Mrs Gandhi's party was the largest single party in the dissolved Lok Sabha. The conclusion might have been drawn more or less unconsciously that it therefore stood the best chance of achieving a majority in the new Lok Sabha and that it would therefore be both prudent and patriotic to do one's part in facilitating this process.

As for the stresses on the economic front, events proved that there were certain specific or local factors which were operating powerfully on the side of the ruling party. The green revolution which had put more money into the hands of even small and medium farmers in states such as Punjab and Haryana and in substantial areas of Uttar Pradesh, Maharashtra, Gujarat, Andhra and Tamil Nadu, induced a friendly disposition towards the government on the part of numerically important sections of the farming community. The reputation that Mrs Gandhi's government had built up that it was generally on the side of workers in labour-management disputes had won for her and her party useful and powerful allies in the trade union movement. The sympathetic attitudes adopted by her government in dealing with wage claims of government and semi-government employees had bought for her and her party a fund of goodwill among the lower middle and middle class populations in cities and towns. The high-pitched publicity given to the nationalisation of banks as only the first of the many radical measures Mrs Gandhi and her party had committed themselves to for increasing employment opportunities and reducing disparities in income and wealth had successfully propagated a widespread belief among the younger generation, particularly the unemployed among them, that there was a good chance of something happening to their benefit in Mrs Gandhi's regime than in others.

What however had helped Mrs Gandhi and her party achieve such phenomenal success more than any of these factors was the failure of the alliance of the democratic nationalist parties opposing her to win credibility for their attempt to put up a united effort in this election. The so-called grand alliance that was trumpeted about was illusory from the beginning. The Jana Sangh was over-confident; this encouraged it to be intolerant or even contemptuous of its partners. The SSP suffered doubly from the fact that it was distrustful of everyone of its allies and was in turn distrusted by them all. The Swatantra Party laboured under the disability, among others, of having to put up with Hamlet-like doubts and hesitations on the part of its leaders, particularly its chairman, Mr M. R. Masani. The single-minded purposiveness of its mentor, Rajaji, unfortunately failed to communicate itself to some of his associates.

It was, however the Congress party led by Mr S. Nijalingappa—as the party was described for election purposes—which proved to be the weakest part of this grouping. Its greatest misfortune

was that its leaders miserably failed to impose their personalities on the electorate as the authentic heirs of the Indian National Congress that was. On the contrary, the party gave the impression that it was holding itself together only with great difficulty.

In more general terms, but for the hard core of the CPI(M) influence and loyalties in West Bengal, the Leftist vote tended to gravitate towards the Prime Minister and her party. In contrast, the Rightist vote was bedevilled and dispersed by self-doubts, with some part of it tending to take a purely opportunistic view that safety lay in siding with what seemed to be the winning side. There was thus neither miracle nor mystery in the way Mrs Gandhi and her party swept the polls. It was a development which could have been expected in terms of the working of adult franchise in the existing economic and social conditions of our people. 'One man, One vote' and the votes of most men (and women) went to one woman.

Pluses and Minuses

V. BALASUBRAMANIAN

ALTHOUGH A general election is in its very nature more the beginning of a process rather than the end, it is still both logical and useful to strike a balance sheet of its results. The foreseeable pluses and the predictable minuses have their own interesting and informative story to tell.

The minuses in the case of this election are easy to set out. As had been discussed earlier, among its less agreeable consequences of this election, the one that is to be deplored most is the heavy blow it has dealt to the evolution of a healthy party system in our democracy. A single political party has once again become the dominant force in Parliament and political affairs and, to make matters worse, the parties which opposed it have so rudely suffered in their hopes and expectations that they have been utterly demoralised. The political waters are swarming with hordes of defectors leaving foundering ships for the haven of the Prime Minister's party.

The organisation of Congressmen, who had opposed the Prime Minister at the time of the split, has been reduced to shambles and its hopes of a revival are now entirely dependent on its ability to hold its tenuous ground in Gujarat. The PSP and the SSP as well as the BKD in Uttar Pradesh and Rajasthan are also confronted with the stresses of dissolution. The Swatantra Party is threatened with an aggravation of its chronic anaemia. The Jana Sangh, perhaps, may be said to have lived to fight another day, but it too will need time to recapture its self-confidence and dynamism. Outside the hard core of the communist movement represented mainly by the CPI(M), national politics have become a private affair of the party of the Prime Minister. No wonder the election verdict is being described as a mandate for the Prime Minister or a national consensus favouring her personal authority as much as the proclaimed policies or programmes of her party.

This dominance of a single party, moreover, is characterised by the supremacy of the personality cult. It is being dinned into the ears of the people that Mrs Gandhi knows best. This is giving further impetus to a style of government which has always been to emphasise the personal authority of the Prime Minister. A case in point is the way the Planning Commission has been treated. While many may agree that its vice-chairman, Dr Gadgil, has outlived his usefulness in that position or even Mr R. Venkataraman, Member for Industry, has not been conspicuously effective, very few would see any merit in Mrs Gandhi's melodramatic gesture of calling for the resignation of the entire Commission. She could certainly have eased out the unwanted members without going in for this cheap exercise in conspicuous government.

But, then, the entire apparatus of the administration seems to have been geared to the objective of creating a folklore of legends about a 'Prime Minister alleged to be both wise and strong with a wisdom and strength beyond the reach of mere mortals. Mrs Gandhi herself has conceded that it is no longer desirable that the electorate should be content with merely thinking in terms of election symbols while voting and that it should be encouraged to vote with some awareness of the policies and programmes of the various political parties. If not now, at least some time later, she may perhaps allow herself to recognise in public the fact that this election has been won on the strength of her image and through the force of slogans.

The slogan that has weighed most with the electorate was the battle-cry of the Prime Minister's party, namely, "Abolish poverty". This is no doubt a very legitimate exhortation in a country where many millions of men, women and children eke out a subsistence living, with unemployment an ever-present threat to their daily bread. The slogan, however, has been politically exploited so as to over-simplify the profound problems of economic growth. An illusion has been encouraged among the electorate that only a minority of vested interests is obstructing, because of its avarice and spirit of self-aggrandisement, a wider distribution of wealth and incomes in the community.

Although the Prime Minister had obviously been preparing for the general election of March 1971 during all the months since the split in the Congress organisation in July 1969, not even once during this period has she taken the people into confidence and told them the basic truth that only through economic statesmanship on the part of the government and discipline and hard work on the part of the people, can the nation hope to break through the barrier of mass poverty. Instead she had led them to believe that all that is needed to make the country prosperous and provide the common people with more and more of the good things of life is for the public to vest in her overriding authority in the government of the country. The way the electorate has responded in this election indicates that its credulity must have exceeded even her expectations. On any sober reckoning, this must create complications for the country in its quest for stable and sensible means of achieving faster economic growth. Given the euphoria created in the country by her election promises, the Prime Minister must necessarily find it difficult to face the people with facts and share with them the brutal truth that poverty cannot be abolished merely by nationalising banks, abolishing the privy purses of the princes or even imposing a ceiling on urban and other properties.

Difficult Legacy

In the same way, the pre-election assertions of the Prime Minister and the election propaganda of her party that she needed only the mandate of the people to step up levels of employment in the community may have left her government with a difficult legacy and be a handicap to it in framing and pursuing really effective policies of economic growth. There is in fact a risk that the country's substance may be wasted on what may be described as 'get-rich-quick' schemes in the national context. The Finance Minister's speech on the occasion of the presentation of the interim budget in the Lok Sabha was an indication that the government was likely to place heavy reliance on the dramatic value of budgetary allocations for so-called em-

ployment-oriented projects concocted in the kitchens of the central or state ministries without much thought being given to what was being dumped into the cooking pots or what might come out of them eventually.

Of even graver implication is the excessive emphasis placed on radical socialism as a bait for the electorate. It is highly probable that, drugged by its own propaganda, the government of Mrs Gandhi may tend to act in a witless fashion and follow policies inimical to the country's economic growth merely for the sake of holding up its image. The statement of the Minister for Foreign Trade in the Lok Sabha a few days ago that the government intended to take over the entire import trade and also extend the public sector in the export trade is evidence enough of the likelihood of a crude policy of nationalisation being pursued without consideration of administrative adequacy or economic efficiency.

In certain areas of national economic management, where the government's prejudices are particularly active, such as the functioning of large business houses or the inflow of foreign private capital, the Prime Minister and her administration must be expected to be guided by attitudes which may do no good to the country or the people. Similarly, the proclaimed animus of her party and her government against incomes or wealth considered excessive in terms of certain vague and arbitrary concepts may play havoc with prospects for higher levels of savings or investment without which there can be no adequate economic growth.

A Public Disaster

Finally, on the plane of public morality, this election must in many respects be considered a public disaster. That the relentless exploitation of government machinery and the lavish deployment of patronage and money should have paid such rich dividends for the ruling party at the centre is something which must be as gall and wormwood to all genuine lovers of democracy in our country. Again, in Tamil Nadu, where the DMK has swept the polls in the election for the state legislature in as spectacular a manner as the Prime Minister's party has overwhelmed the electorate in the poll for the Lok Sabha there has been this highly disquieting phenomenon that a record of corruption and political skulduggery in office had not presented the least difficulty to the party in power in capturing another term with even a larger measure of electoral support. For reasons best known to themselves, a large majority of voters in Tamil Nadu have shown that it attaches no importance to such things as the personal integrity of ministers or the cleanliness of government. It is bad enough that even politicians are corruptible and are corrupted. It bodes no good at all to popular government when the Demos itself becomes sullied in its sense of values.

Equally or even more unpleasant has been our experience in West Bengal where the CPI(M) managed to emerge as the largest party in the state legislature in spite of its outrageous record of political violence and open challenge to law and the Constitution even when it was a party in and to the government of the state following the general election in 1967. The voting pattern in West Bengal has shown that, especially where the rural electorate is concerned the communist movement remains outrageously capable of exploiting the means and machinery of the parliamentary form of government for subverting and sabotaging this political system from both within and without. In these circumstances, some of us may be forgiven if we would see in the ballot box of this election only a pandora's box of moral and political plagues.

II

So much for clear minuses of the election balance-sheet. As for the pluses such as they are, they are pluses only with qualifications. For instance, it is no doubt true that the country has been able to hold a fifth general election in a more or less orderly manner and that, in this way, it has been reasonably successful in preserving the regularity and continuity of the parliamentary form of government. At the same time, it must be noted that this election has been held for the avowed purpose of the people being persuaded to confirm and sanctify the personal authority of a single leader and the political domination of a single party. Every detail of the arrangement of this election, whether it was the timing or the way the issues were projected or even the functioning of the election machinery, had been deliberately designed throughout to deny the public reasonable opportunities for exercising their judgment in a deliberate manner. The strategy adopted was to get the electorate sold to the idea that the nation needed a saviour and that this saviour was to be found in a particular individual to the greater glory of whom the entire election exercise was in fact being dedicated. In qualitative terms, these circumstances very definitely detracted from the true democratic worth of India's fifth general election.

The election no doubt has given the

country a stable government at the centre in the sense that the ruling party has command of Parliament and is in a position to govern effectively. In theory, a stable government could be a valuable or even an indispensable condition for the orderly and purposeful pursuit of the economic development and social progress of the nation. In this particular case, however, we have already seen that it could be doubted that the ruling party is able or willing to follow the straight and narrow path of sound economic progress. Its record in the recent past as well as in its election campaign has given rise to the suspicion that it is liable to succumb to the temptations of opportunism and adventurism. It is by no means obvious that political or governmental stability would be an unmixed blessing when these qualities are embodied in the authority of a political party with such pretensions. While the nation may derive satisfaction from the fact that the results of this election have not been such as to lead to incoherence or instability in the central government, it must not be indiscriminate in its expectations of the good that may flow from the domination of a single political party over Parliament or political activity in the nation. In any case, as we had indicated earlier, the nation has had to pay a heavy price for political stability at the centre by having to forgo the orderly development of an effective party system.

Having asked for a mandate to fight poverty, increase employment and generally improve the condition of the people in the mass and given that mandate in no uncertain terms, the ruling party has clearly made itself accountable to the people for its performance. This no doubt is a welcome development. But once again we have taken note of the snags. In the first place the amorphous terms and phrases in which the ruling party has made its pledges or held out its promises seem to allow considerable latitude in the matter of performance. It is worth noting that Mrs Gandhi and her colleagues have been emphasising the issue of the redistribution of wealth rather than the more difficult task of generation of more wealth.

Up to a point it may not be too difficult for the ruling party to continue to impress the public with gimmicks that are not relevant to the harsh demands of economic development but which may help to feed the mills of demagogy. The success of the bank nationalisation as public relations tactics may be expected to encourage Mrs Gandhi's government to persevere in seeking similarly easy ways of generating mass enthusiasm or approval for itself. It may be tempting to believe that having given the mandate to the ruling party to abolish poverty, the electorate will be able to hold the government firmly to it. In reality, however, public memory is apt to be short, while the behaviour of the electorate in this election makes it clear enough that the mass media could be successfully used to make millions of friends and influence opinion in a country where poverty and illiteracy are extensive.

To conclude, this general election has confirmed that people get the government they deserve. To this extent it must strain our faith in the absolute validity of the democratic process. Adult suffrage needs an adult electorate to be respectable. Therefore, even while accepting the people's verdict in its immediate and short-term context — as those who believe in democracy must do — we must certainly continue to insist on the importance of educating our masters and thus improve the quality of the electorate and endow it with adult characteristics. If India is to have a democratic future in the long term, it cannot afford to have too many elections of the nature of its fifth general election. •

ELECTIONS : 1952-1971

A Statistical Profile

Our Constitution has ensured equal voting rights for every citizen who is not less than 21 years of age. No disqualifications are imposed on grounds of sex, caste or religion. The Constitution thus puts faith in the common man of this country.

Before the general election this year, four elections for the Lok Sabha were held in 1952, 1957, 1962 and 1967, all on the basis of adult suffrage.

On each one of the four occasions, the elections were held simultaneously for the Lok Sabha and the Vidhan Sabhas (state assemblies) but in the current year's election, the state and central elections were delinked. Only West Bengal, Tamil Nadu and Orissa went to the polls for electing members for the state legislatures in addition to those for the Lok Sabha.

The population of this country according to the 1951 census was estimated at 361 millions which rose to 384 millions, in 1957, 437 million in 1962, 511 millions 1967 and 564 millions in 1971. The number of voters rose in accordance with the increase in population, the total strength of electorate was roughly half of the total population. For example, in 1952 the number of voters was 173 millions — 48 per cent of the population; it rose to 194 millions (50.5 per cent) in 1957, 218 millions (50.0 per cent) in 1962, 249 millions (48.7 per cent) in 1967 and 271 millions (48.1 per cent) in 1971. Not every one of the persons listed in the electoral rolls cast his vote in all these elections. In 1952 only 106 million voters out of 173 millions cast their votes for the Lok Sabha seats indicating voter turn-out at 45.70 per cent. Turn-out improved to 46.60 per cent in 1957, to 51.48 per cent in 1962 and to 58.70 per cent in 1967 The number of valid votes polled at the current year's election to the Lok Sabha at 145.80 millions was almost the same as in 1967, indicating a drop in percentage turn-out from 58.70 to 53.47 (see Table I)

First General Election: 1952

The bulk of the polling for the Lok Sabha took place during December 1951 and January 1952. At that time the country was divided into A, B and C states. The states of Assam (12), Bihar (55), Bombay (45), Madhya Pradesh (29), Madras (75), Orissa (20), Punjab (18), Uttar Pradesh (86) and West Bengal (34), were known as Part A states with total number of seats for the Lok Sabha at 374 (The seats for each state are indicated within brackets). The Part B states having 96 seats in the Lok Sabha consisted of — each state's seats indicated in brackets — Hyderabad (25), Jammu and Kashmir (6), Madhya Bharat (11), Mysore (11), Patiala and East Punjab States Union (5), Rajasthan (20), Saurashtra (6), and Travancore Cochin (12). The Part C states had no more than 25 seats in the Lok Sabha and consisted of Ajmer (2), Bhopal (2), Bilaspur (1), Coorg (1), Delhi (4), Himchal Pradesh (3), Kutch (2), Manipur (2), Tripura (2), and Vindhya Pradesh (6). One seat each had been allocated to Andaman and Nicobar Islands and Part B of tribal areas of Assam.

Magnitude of Task

The magnitude of the task involved in conducting this election may be assessed from the fact that all over the country 132,560 polling stations had to be organised. The total number of polling booths was 196,084. Great difficulty, according to the Election Commissioner, was experienced in the transport of polling parties and polling materials because of peculiar physical features such as snow-capped mountains, vast deserts, wide unfordable rivers, dense forests etc.

The Congress Party contested all the 479 seats; the Socialist Party followed with 256 candidates. The Kisan Mazdoor Praja Party (KMPP) had 146 candidates. The Communist Party fielded no more than 49 candidates for the Lok Sabha.

The results of this election made the Congress as the largest single party in the country which not only polled the largest number of votes but also secured the largest number of seats. Out of 479 seats which were contested, it won no less than 357. As many as seven seats were bagged by it without any contest. The other major parties put up a very poor performance. The Socialist Party was able to secure only 12 seats while the KMPP won only 9 seats including the one secured by it without contest. The Communist Party secured 16 seats while the Jana Sangh was successful in securing three seats only. The independents, including small splinter groups, bagged as many as 85 seats including two without any contest. The Lok Sabha after the first general election thus consisted of three fourths Congressmen, followed by a large number of independents and those belonging to small political parties.

Despite the fact that the Congress was able to win nearly three-fourths of the seats in the Lok Sabha, the popular vote polled in its favour was no more than 45 per cent indicating that on the basis of votes polled it did not enjoy the confidence of a majority of the voters. It is because of this that the

Table I

TURN-OUT IN ELECTIONS TO THE LOK SABHA

	1951-52	1957	1962	1967	1971
I. Population (millions)	361·1 (1951 census)	334 37 (estimated)	437 22 (1961 census)	511 31 (estimated)	564·23 (estimated)
II. Number of voters (millions)	173 21	193 65 (258 62)*	218 22	248 64	272·74
III. Number of valid votes polled (millions)	105 94	(120·51)*	115 17	145·85	145·80
IV. Turn-out (percentage of III to II)	45·70	46·60	51·48	58·70	53·47

*Double counting in the case of double member constituencies.

opposition parties described it as a representative of a minority of voters only.

In some states, the performance of the Congress was superb. It secured in the Lok Sabha as many as 92 per cent of the seats for Assam, 82 per cent for Bihar, 89 per cent for Bombay, 93 per cent for Madhya Pradesh, 55 per cent for Orissa, 89 per cent for Punjab, 94 per cent for Uttar Pradesh, 71 per cent for West Bengal, 56 per cent for Hyderabad, 82 per cent for Madhya Bharat, 91 per cent for Mysore and 100 per cent for Saurashtra, Ajmer, Bhopal, Coorg, Himachal Pradesh and Kutch.

As stated earlier, the rightist parties such as the Jana Sangh, the Ramrajya Parishad and the Hindu Mahasabha fared badly at the polls as collectively they were able to capture no more than 10 Lok Sabha seats. In regard to percentage of votes polled for Lok Sabha seats, the Congress showed the best performance in Saurashtra where it polled 66.6 per cent of the votes cast. Kutch occupied the second position with 60.8 per cent of the total votes polled. Among Part A states, Assam topped the list with 53.2 per cent of the votes in favour of the Congress Party. Madras was at the bottom with no more than 36.4 per cent of the popular votes polled in favour of the Congress.

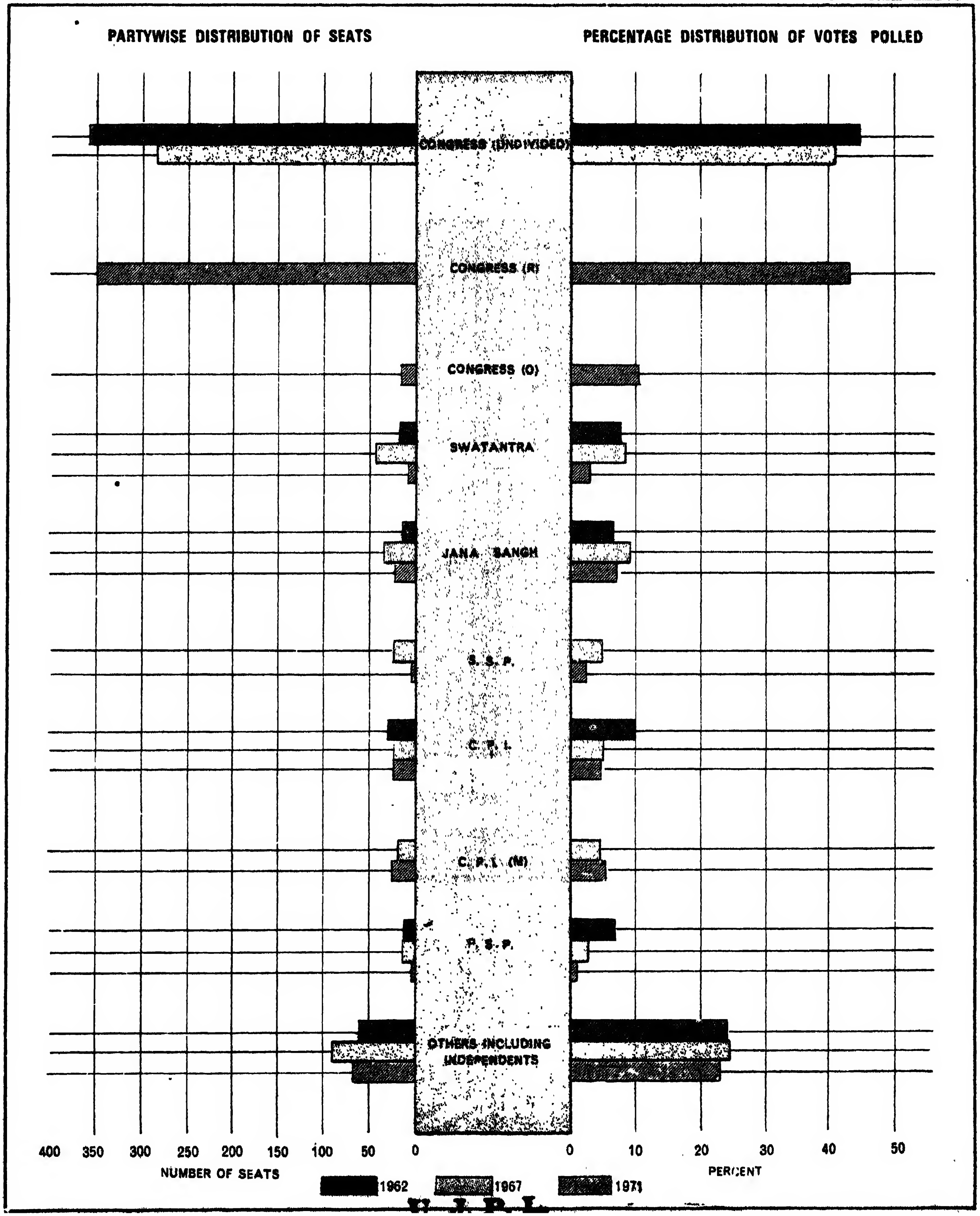
The first general election, therefore, found this country in the control of a single party i.e., the Congress. Under the leadership of the late Jawahar Lal Nehru and later under the late Lal Bahadur Shastri and Mrs Indira Gandhi, this party ruled the country for more than 17 years.

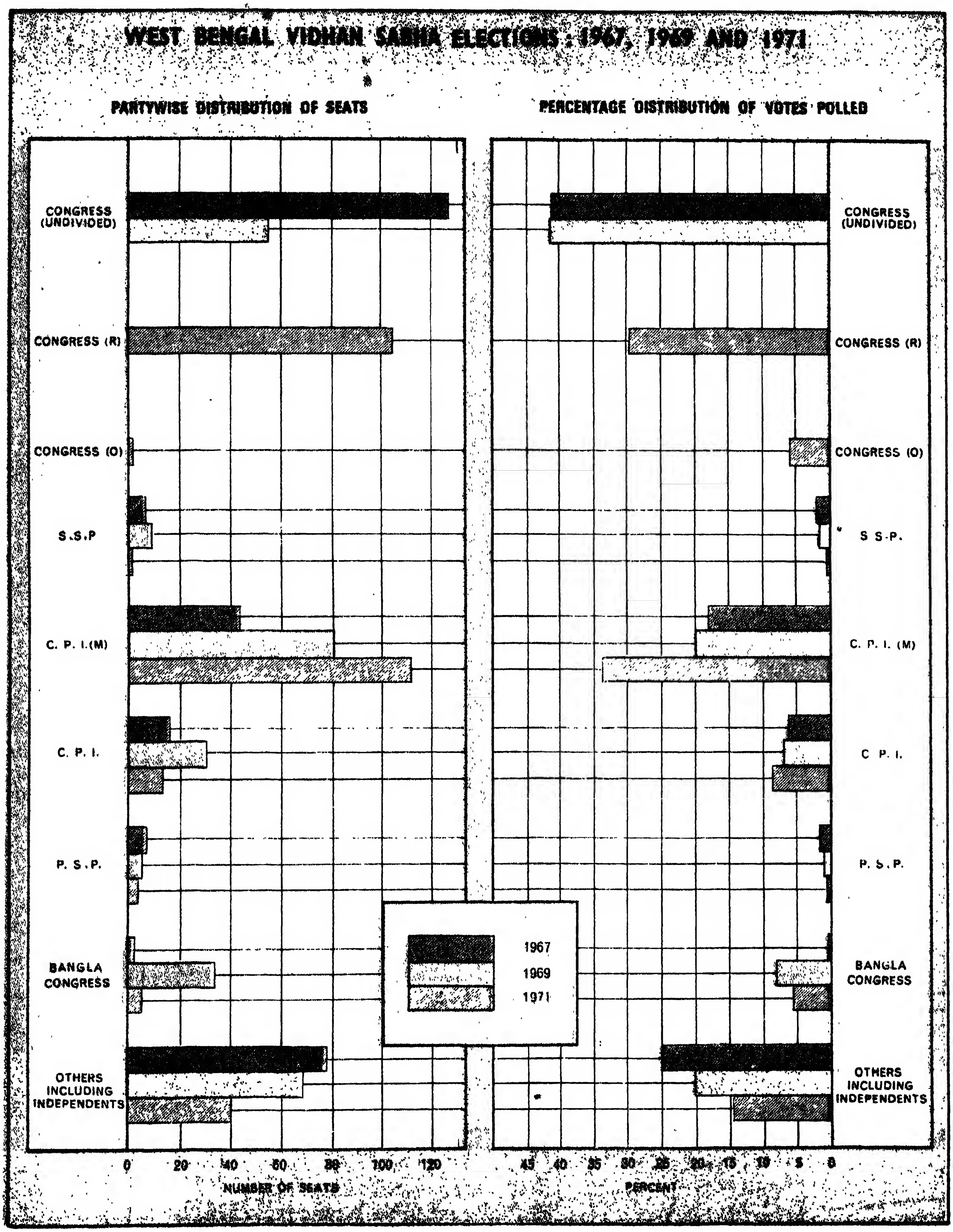
Second General Election: 1957

The full membership of the Lok Sabha for 1957 was 506. It included 12 nominated members representing Jammu and Kashmir (6), Andaman and Nicobar, Laccadive, Minicoy and Amindivi Islands, Naga hills—Tuensang area and North-east Frontier track (one each) and Anglo-Indians (2). The number of elective seats thus was 494. The Congress Party won 12 of these seats without any contest. It, however, contested as many as 490 seats The Praja Socialist Party (PSP) fielded 194 candidates while the Communist Party put up 109 candidates. The Jana Sangh contested 130 seats most of which were from Uttar Pradesh, Madhya Pradesh and Punjab.

Out of the 482 contested seats, the Congress won nearly three-fourths at 359, excluding the 12 uncontested seats. The second largest group in the Lok Sabha was represented by the Communist Party of India (CPI) which secured 27 seats. The PSP followed next with 19 seats while Jana Sangh was able to win only four seats. The remaining 73 seats were won by independents and other smaller political parties.

As in the first general election, the Congress won three out of every four seats in the Lok Sabha. The popular vote showed a slight improvement from 44.99 per cent in 1952 to 47.78 per cent in 1967. Apart from independents


PARTYWISE DISTRIBUTION OF SEATS
PERCENTAGE DISTRIBUTION OF VOTES POLLED
CONGRESS (UNDIVIDED)
CONGRESS (R)
CONGRESS (O)
SWATANTRA
JANA SANGH
S. S. P.
C. P. I.
C. P. I. (M)
P. S. P.
OTHERS INCLUDING INDEPENDENTS
400 350 300 250 200 150 100 50 0
0 10 20 30 40 50
NUMBER OF SEATS
PERCENT
1962
1967
1971



WEST BENGAL VIDHAN SABHA ELECTIONS : 1967, 1969 AND 1971
PARTYWISE DISTRIBUTION OF SEATS
PERCENTAGE DISTRIBUTION OF VOTES POLLED
CONGRESS (UNDIVIDED)
CONGRESS (R)
CONGRESS (O)
S.S.P
C. P. I.(M)
C. P. I.
P. S. P.
BANGLA CONGRESS
OTHERS INCLUDING INDEPENDENTS
1967
1969
1971
0 20 40 60 80 100 120
NUMBER OF SEATS
45 40 35 30 25 20 15 10 5 0
PERCENT

and others, the next largest percentage of votes was polled by the PSP at 10.41 per cent, though in terms of seats it claimed only 3.9 per cent. The CPI polled only 8.92 per cent of the valid votes and its performance in terms of seats at 5.6 per cent of the total was an improvement over that of the PSP. Even though Jana Sangh polled 5.93 per cent of the total votes, it was able to win less than one per cent of the total seats in the Lok Sabha. The second general election thus continued the supermacy of the Congress. Under its leader, the late Jawahar Lal Nehru, it was at the peak of its glory.

The turn-out in the second general election recorded only a marginal improvement in terms of percentage of valid votes polled to the total number of voters As against the total number of voters at 173.21 millions in the first general election, the number of voters increased to 193.65 millions in the second general election The double constituencies required double counting of some votes with the result that the actual number of votes increased further to 258.62 millions. The number of valid votes polled, however, was no more than 120.51 millions indicating turn-out at 46.60 per cent.

Third General Election: 1962

An interesting feature of the election to the Lok Sabha in this country has been a steady increase in the number of contesting candidates from election to election, though the number of seats increased only by a small margin. For example, the number of contesting candidates for the parliamentary seats in 1957 was 1507. It increased to 1985 in the third general election in 1962. (Their number increased further to 2,354 in 1967 and to 2,777 in 1971, giving a lie to the belief that the increasing cost of conducting an election campaign would deter many a candidate from entering the fray).

In keeping with its performance in the earlier two elections the Congress contested the largest number of seats at 488, followed by Jana Sangh at 196, PSP at 168, Swatantra at 173, CPI at 137 and Socialist Party at 107. However, smaller parties fielded 236 candidates, while the number of independents was as high as 480.

The state-wise distribution of voters shows that the largest number of them were in Uttar Pradesh followed by Bihar, Maharashtra and Andhra Pradesh. The percentage of voters to total population was the highest in Madras at 55.44 showing that in this state the proportion of persons above the age of 21 years was the highest among the Indian states.

The results of the third general election showed very little departure from the pattern set in the earlier two elections. Out of 494 parliamentary seats the Congress won 361 out of which three were bagged without any contest. The CPI came next with 29 seats while Swatantra occupied the third rank with 18 seats. Incidentally it was the first year of entry of this party into the election contest. The Jana Sangh was able to win only 14 seats though this was a significant improvement upon its performance in the earlier two elections when it had won three and four seats respectively. The PSP lost some ground as it was able to secure only 12 seats as against 19 in 1957. Another interesting feature of the election to the Lok Sabha was that independents and other smaller groups were able to capture a smaller number of seats. As against 85 in the first general election and 73 in the second general election, their number was reduced to 60 only in the third general election.

As in the earlier two elections, the thumping majority of the Congress was based on a minority vote. It secured no more than 44.73 per cent of the total votes polled as against 47.78 per cent in 1957 and 44.99 per cent in 1952. The CPI which polled 9.94 per cent of the total votes secured only 5.9 per cent of the seats. Swatantra also secured a higher percentage of popular vote (7.89 per cent) than the percentage of seats won by it (3.7 per cent). In short the Congress was able to win a far higher percentage of total seats than the popular votes secured by it. It did so at the expense of other parties.

The turn-out at the third general election recorded some improvement over that of the second general election. Whereas at the second general election to the Lok Sabha, 46.60 per cent of the voters had cast their votes, this percentage improved to 51.48 in 1962.

It may be stated here that the Swatantra Party was founded in 1959 with the objective of countering the socialist policies and programmes of the Congress. Mr C. Rajapogalachari the former Governor General of India took upon himself the leadership of this party along with such ex-Congressmen as Mr N.G. Ranga and Dr K.M. Munshi. Former socialists (such as Mr M.R. Masani) and retired civil servants (as Mr V.P. Menon and Mr Lobo Prabhu) thronged to it. Mr Rajagopalachari who provided provocative leadership to this party, thought that there was need to provide an effective and broad-based opposition to the Congress which at Avadi (Madras) had raised the slogan of Socialistic Pattern of Society so as to encourage a programme of stateism.

Fourth General Election: 1967

After two decades of continuous rule of the Congress at the centre, the public at large was disenchanted with it. The feeling prevailed in the country that it was time to give an opportunity to some of the opposition parties to prove if they could do better than the Congress. This sentiment was reflected in the election results. As against 361 seats out of a total of 494 which the Congress secured in 1962, its total was reduced to 283 out of 520 in the fourth general election in 1967. The parties which gained strength were Swatantra, SSP, Jana Sangh and independents.

The Swatantra Party improved its strength in the Lok Sabha from 18 in 1962 to 42 in 1967. The Jana Sangh more than doubled its seats from 14 in 1962 to 35 in 1967. The SSP secured as many as 23 seats in 1967. The CPI in 1962 had secured 29 seats but the split in the party in the interim period reduced its popularity with the result that it was able to capture only 23 seats in 1967. However, CPI(M) which consisted of some of the former CPI members secured as many as 19 seats. It follows that both the leftist and the rightist parties consolidated their positions at the expense of the Congress while the smaller splinter groups did not gain much in strength. The independents more than doubled their seats from 20 in 1962 to 42 in 1967.

As regards popular votes the Congress put up a poorer shows in 1967. It secured only 40.82 per cent of the total votes polled. The Jana Sangh ranked next with 9.29 per cent and Swatantra held the third position with 8.54 per cent. The popular votes secured by CPI were 4.90 per cent of the total votes with the score of CPI(M) at 4.4 per cent. These two leftist parties together held the second position with the total tally at 9.36 per cent.

The Congress secured, as in the previous elections, the largest number of seats from Uttar Pradesh where it secured 47 out of 85 seats. Maharashtra followed next with 37 seats while Bihar with 34 was a close third. Among the major states, its lowest score (one seat only) was from Kerala. Swatantra had its highest score in Gujarat where out of 24 seats for the Lok Sabha it secured no less than 10. In Orissa and Rajasthan, it was able to win 8 seats each. The strongholds of the Jana Sangh were in Uttar Pradesh and Madhya Pradesh. In Uttar Pradesh it succeeded

in bagging 12 seats out of 85 whereas in Madhya Pradesh its score was 10 seats out of 37. The strongholds of the CPI were in West Bengal, Uttar Pradesh and Bihar from where it secured five seats each. From Kerala it secured only three seats. On the other hand CPI (M) was able to win nine out of 19 seats from Kerala. From West Bengal, it secured only five seats while Madras contributed four seats to this party. PSP nad stray victories with the largest group from Orissa at four seats. SSP on the other hand had its largest contingents from Uttar Pradesh (8) and Bihar (7).

A noteworthy feature of the 1967 election was the emergence of the DMK in Madras which contested 25 seats for the Lok Sabha and was able to win each one of them. The Akali Dal in Punjab contested eight parliamentary constituencies but was able to win only three seats. The Muslim League contested two seats, both of them in Kerala, and was able to secure them

Lok Sabha Election: 1971

The fifth general election for the Lok Sabha was due in 1972 but the split in the Congress Party which came in the wake of the Presidential election (after the death of Dr Zakir Husain) culminated in the current years's election nearly a year ahead of the scheduled date. Mr N. Sanjiva Reddy, the former Speaker of the Lok Sabha, was the official Congress candidate for Presidentship but the conflict between the Prime Minister, Mrs Indira Gandhi, and a group of Congress leaders led by Mr Nijalingappa — popularly known as the Syndicate — brought about a rift which resulted in two Congress Parties, one led by the Prime Minister, Mrs Indira Gandhi, and Mr Jagjivan Ram [named here as Congress (R)] and the other led by Mr Morarji Desai, Mr K. Kamaraj and Mr Nijalingappa [named here as Congress (O)]. In the current year's election, Congress (R) aligned itself with some of the leftist parties and some regional parties such as the DMK in Tamil Nadu while Congress (O) had electoral alliance with Swatantra and Jana Sangh.

The overwhelming majority won by Congress (R) in the current year's election in evident from Table II below. Before the dissolution of the fourth Lok Sabha, this party had 221 members out of a total of 418. In the current year's election to the Lok Sabha, it fielded 422 candidates out of which as many as 350 were successful indicating that four out of every five candidates put up by it were successful. In all states it improved its position except in Himachal Pradesh, Jammu and Kashmir, Nagaland and Tripura. Before the dissolution of the Lok Sabha, this party had as many as six members from Himachal Pradesh. The party fielded only three candidates in the 1971 election — the number of seats from this state was reduced to four after it attained statehood — out of which every one of them was successful. The election to the fourth seat from Mandi has still to be held. In Jammu and Kashmir, no less than six candidates were fielded by it out of which only four seats were won by it. There was only one member from Nagaland. In the present election, the Congress led by the Prime Minister had to concede this to the opposition. In Tripura, out of two seats the Congress was able to win one only.

TABLE III

PERCENTAGE OF VOTES POLLED BY DIFFERENT PARTIES

House of the People (Lok Sabha)

Party	1952	1957	1962	1967	1971
Congress	45.0	47.78	44.73	40.82	43.1£
Socialist	10.6	10.41*	6.81*	3.08*	1.0*
KMPP	5.8			4.89**	2.4**
Communist	3.3	8.92	9.94	9.36†	9.7††
Jana Sangh	3.1	5.93	6.44	9.29	7.3
Swatantra			7.89	8.54	3.1
Others, including Independents	32.2	26.96	24.19	28.91	33.4‡
Total	100.00	100.00	100.00	100.00	100.00

*Praja Socialist Party (PSP)

**Samyukta Socialist Party (SSP)

†(CPI -4.90)
(CPI(M) 4.46.

£Congress (R).

††(CPI) - 4.6.
CPI(M) 5.1

‡(Cong(O) - 10.5.
(Others) 22.9.

Note: This table excludes uncontested seats.

The state in which it recorded a spectacular victory was Uttar Pradesh where its strength improved from 43 to 73.

TABLE II

NUMBER OF SEATS WON BY DIFFRENT PARTIES

House of the People (Lok Sabha)

Party	1952		1957		1962		1967		1971	
	Number of seats	Percentage	Number of seats	Percentage	Number of seats	Percentage	Number of seats	Percentage	Number of seats	Percentage
Congress	357(7)	74.5	359(12)	74.5	358(3)	72.9	283	54.42	350@	67.96@
Socialist	12	2.5	19*	3.9*	12*	2.4*	13*	2.54*	2*	0.40*
KMPP	8(1)	1.7					23**	4.42**	3**	0.60**
Communist	16	3.4	27	5.6	29	5.9	42£	8.06£	48‡	9.32‡
Jana Sangh	3	0.6	4	0.8	14	2.9	35	6.73	22	4.27
Swatantra		-	-		18	3.7	42	8.06	8	1.55
Others including Independents	83(2)	17.3	73	15.2	60	12.2	82	15.77	82†	15.90
TOTAL	479 (10)	100.0	482(12)	100.0	491(3)	100.0	520	100.0	515	100.0

Praja Socialist Party (PSP).
Samyukta Socialist Party (SSP)

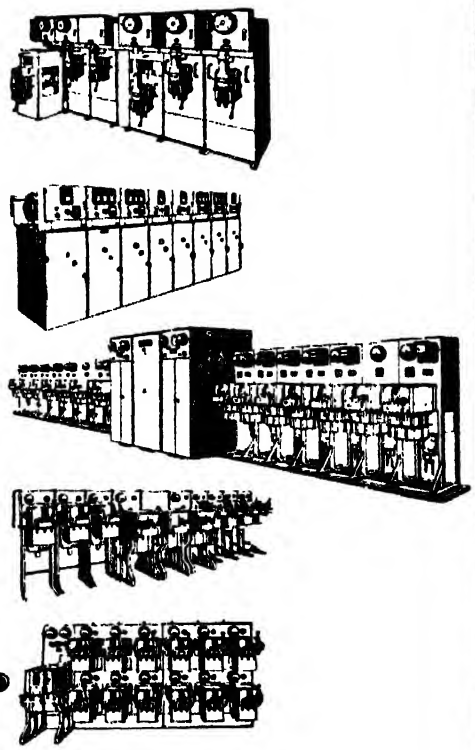
£CPI-23 (4.40).
CPI(M -- 19 (3.66).

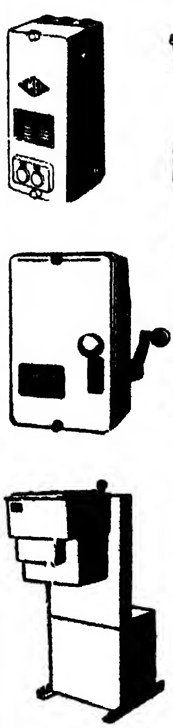
DMK -- 23
Cong(O) - 16.
Telengana Praja Samiti - 10
Muslim League - 3

R.S.P. - 3
Others - 26
(Including Independents)

@Congress (R)

‡CPI--23 (4.46).
CPI(M)—25 (4.86)





In Maharashtra, the gain was substantial from 31 to 42. Mysore which was considered to be the stronghold of Congress(O), saw an unprecedented change. All the seats for the Lok Sabha were won by Congress (R). Before dissolution of the fourth Lok Sabha, as many as 10 seats were held by Congress (O).

Congress(O) put up a very poor show in this election. Before the dissolution of the fourth Lok Sabha, it had the support of as many as 63 members in the House. In the election, it contested as many as 237 seats out of which only 16 were secured, indicating a success rate of 7 per cent only. It was completely routed in so far as its seats from Andhra Pradesh, Assam, Haryana, Madhya Pradesh, Maharashtra, Mysore, Orissa, Punjab and West Bengal were concerned. From Bihar it was able to win only three seats as against eight held before the election. Only in Gujarat it was able to improve its position from 9 before the dissolution of the Lok Sabha to 11 in the latest election. It had three members of Parliament from Tamil Nadu but their number was reduced to only one; its only success was the seat won by the ex-king maker Mr K. Kamaraj. From West Bengal also its strength was reduced from seven seats to one only even though it contested as many as 45 seats.

Alliance Routed

The Jana Sangh was able to retain two-thirds of its previous strength. Before the dissolution of the fourth Lok Sabha, the Jana Sangh held 33 seats but its strength was reduced to 22 only. It had in all fielded 152 candidates. It follows that only 15 per cent of its candidates were successful in the contest. Its stronghold continues to be in Madhya Pradesh where out of 37 seats it contested, 11 seats were secured as against 21 of Congress (R). Before the dissolution of the fourth Lok Sabha, the strength of the Jana Sangh members from Madhya Pradesh was nine only. In Bihar also, it improved its position from one member to two members. From Haryana, the Jana Sangh had only one member before the dissolution of the fourth Lok Sabha; the 1971 election brought only one seat to its credit. It lost both the seats in Punjab while from Rajasthan its strength improved from two to four seats. In Uttar Pradesh also it lost heavily from 11 to 4 seats. In Delhi as well as Chandigarh it was completely defeated. Not a single member of this party was returned from these constituencies.

The Swatantra Party also fared badly at this election as its strength in the Lok Sabha was reduced from 35 to 8 members only. It had contested as many as 62 seats. It was completely defeated in Andhra Pradesh, Maharashtra, Mysore and Tamil Nadu. Its strength was reduced from seven to two seats in Gujarat, from one to nil in Maharashtra, from four to nil in Mysore, from nine to three in Orissa and from five to three in Rajasthan. The collective strength of the alliance dropped from 131 to 46.

The SSP was another party which lost heavily in the 1971 election. Its total strength in the Lok Sabha before the election was 17 but it was reduced to only three seats after the election. It was completely routed in Maharashtra, Mysore Orissa, Uttar Pradesh and West Bengal; it was, however, successful in securing two seats in Bihar and a solitary seat from Madhya Pradesh.

The CPI did not record any material change in its strength. Before the election, it commanded a total strength at 24 which was marginally reduced to 23. In Andhra Pradesh, Bihar and Kerala it retained the same number of seats as it held before the dissolution of the fourth Lok Sabha. Its reversals came from Assam, Maharashtra, Uttar Pradesh and Manipur. In Tamil Nadu it was able to win as many as four seats despite the fact that before the dissolution of the fourth Lok Sabha it had no member hailing from that state.

The only party, besides Congress (R), which was able to improve its position was CPI(M), which before the dissolution of the fourth Lok Sabha had 19 members but improved its strength to 23 Its best performance was from West Bengal. As against five members from this state, the CPI(M) made a gain of 15 seats taking its total strength to 20. The only other gains made by it were, one from Andhra Pradesh, two from Kerala and two from Tripura. Earlier it had no member either from Tripura or from Andhra Pradesh. In Kerala it received a severe setback; as against nine members of the Lok Sabha from this state, its strength was reduced to only two.

Poor Showing

The BKD was another party which received a severe beating in this election. As against a total strength of 10 members it was able to win only one seat (from Uttar Pradesh). Its leader Mr Charan Singh was also defeated. It may be stated here that this party contested no less than 97 seats out of which it was able to secure only one, showing the poorest rate of success among the major parties in the country.

The PSP had 15 members in the dissolved Lok Sabha but the 1971 election reduced its strength to two members only, one each from Maharashtra and West Bengal. It had contested no less than 60 seats. It was completely defeated in Assam, Bihar, Kerala,Maharashtra, Mysore and Orissa.

The DMK lost only one seat. Before the dissolution of the fourth Lok Sabha, it commanded a total strength of 24 members; in the 1971 election to the Lok Sabha, it contested 23 seats and was able to win each one of them. The highest rate of casualties was experienced by independents and other splinter groups. No less than 1136 candidates had contested the election of the Lok Sabha either as independents or as members of small political groups; out of them only 50 were able to get elected, the largest group being from Kerala consisting of eight members, two of whom were from Muslim League, two from RSP, two from Kerala Congress and one Independent. It will be seen that the Congress (R) had the most spectacular gains at the expense of Congress (O), Jana Sangh, Swatantra, SSP, CPI, BKD, PSP, independents and others. The only parties which were able to improve their positions were Congress (R) and CPI(M).

Just as undivided Congress secured nearly three fourths of the Lok Sabha seats by polling less than half of the total valid votes in each one of the first three general elections, Congress(R) also was able to win more than two-thirds of the seats despite having polled only 43.1 per cent of the valid votes. The alliance of Congress (O), Jana Sangh and Swatantra polled as high as 20.9 per cent of the total valid votes but was able to win only nine per cent of the seats. Reckoned by popular vote, Mrs Indira Gandhi's government is based on a minority of votes. The electoral system in this country thus brings out an inherent weakness which allows a minority government to win a majority of seats.

West Bengal: State Assembly Elections

A notable feature of the elections held in West Bengal since 1962 for the assembly seats has been the erosion in the popularity of the Congress though the 1971 election has reversed the trend somewhat in favour of Congress (R). In 1962, the Congress had won 156 seats in a House of 251 thus claiming absolute majority. In 1967, the number of total seats in the Assembly rose to 280 but those won by the Congress was less than half at 127. This election saw the emergence of CPI(M) as a potent force. This election also witnessed the birth of a large number of independents and splinter groups. The political uncertainty in 1968 necessitated a mid-term poll which took place on February 9, 1969. though the election had been originally planned for November 1968, floods and landslides in October caused heavy loss

of life in the north of West Bengal and necessitated its postponement.

The mid-term election in West Bengal in 1969 was contested by no less than 28 parties out of which 12 had formed a united front. This election brought to the surface new parties such as the Indian National Democratic Front, the National Party of Bengal, The Bhartiya Lok Dal and the Progressive Muslim League.

There was further deterioration in the popularity of the Congress in 1969 when its strength in the legislature was reduced from 127 to 55 seats only. A substantial gain was made by CPI(M) whose strength rose from 43 in 1967 to 80 in 1969. Similarly, CPI improved its strength from 16 in 1967 to 30 in 1969, though the percentage of popular vote polled by it increased from 6.5 to 7.0 only. The Bangla Congress which had only two seats in 1967 gained as many as 33 seats in 1969. The other splinter groups which had no seat in 1967 gained as many as 36 seats in 1969. This landslide victory of the United Front caused great surprise throughout the country. The major reasons for the rout of the Congress and other parties of the right such as Swatantra and Jana Sangh was the unity of the left wing parties and the resentment at the manner in which the United Front government was dismissed in 1967 by the then Governor, Mr Dharam Vira. The unpopularity in West Bengal of Mr Atulya Ghosh, the Congress Party boss in the state, was also a factor of no mean importance.

In the current year's election, CPI(M) has emerged the largest single party with 111 seats out of 277. The Congress

TABLE IV

WEST BENGAL ASSEMBLY RESULTS

Parties	1967			1969			1971		
	Seats contested	Seats won	% votes polled	Seats contested	Seats won	% of votes polled	Seats contested	Seats won	% of votes polled
Congress	280	127	41·1	280	55	41·3	236*	105*	29·82*
Swatantra	21	1	0·9	4	—	0·1	(a)	—	(a)
Jana Sangh	58	1	1·3	50	—	0·9	24	1	0·72
SSP	26	7	2·1	15	9	1·8	25	1	0·72
CPI (M)	135	43	18·0	97	80	20·0	237	111	33·83
CPI	62	16	6·5	36	30	7·0	111	13	8·60
PSP	26	7	1·9	24	5	1·3	16	3	0·77
Bangla Congress	3	2	0·5	49	33	8·2	136	5	5·48
Forward Bloc	42	13	4·5	28	21	5·0	52	3	2·85
Other parties	3	—	0·1	335	36	10·8			
Independents	402	63	23·2	101	11	3.6	563	35†	17·21
Total	1,058	280	100·0	1,019	280	100·0	1,400	277	100·00

(a) included in other parties

*Cong(R)

SUC—Socialist Unity Centre

†including Cong(O)—2 (5·91)
SUC—7 (1·67)
Gorkha League—2 (0·32)
RSP—3 (2·24)
Muslim League—7 (2·74)
FBM—2 (0·51)
RCPI (Kumar)—3 (0·30)
Workers Party—2 (0·50)
Others—7 (3·02)

TABLE V

TAMIL NADU ASSEMBLY RESULTS

Parties	1962			1967			1971
	Seats contested	Seats won	% of votes polled	Seats contested	Seats won	% of votes polled	Seats won
Congress	206	139	46·1	234	49	41·2	15*
Swatantra	94	6	7·7	27	20	5·3	6
Jana Sangh	4	—	0·1	24	—	0·1	—
SSP	7	1	0·4	3	2	0·6	—
CPI (M)	—	—	—	22	11	4·1	—
CPI	68	2	7·7	31	2	1·7	8
PSP	21	—	1·3	4	4	0·9	4
DMK	143	50	27·1	173	138	40.6	184
Others	45	3	4·2	14	—	0·2	13†
Independents	207	5	5·4	245	8	5·3	4
Total	794	234	100·0	777	234	100·0	234

*Congress(O)

†Forward Bloc—7
Muslim League—6

(R) has won 105 seats while CPI has secured only 13 seats. All other parties failed to win two-figure seats.

Tamil Nadu: State Assembly Elections

Prior to the fourth general election in 1967, the Congress was the premier political party in the state which in 1962 (third general election) had polled the highest percentage of votes at 46.1 and had won the largest number of seats at 139. The only opposition party which was able to offer reasonable resistance to it was Dravida Munnetra Kazhagam (DMK) which had won 56 seats with popular votes at 27.1 per cent. Swatantra, CPI, SSP etc. had only nominal strength in the legislature of this state. It was the fourth general election in 1967 which saw a dramatic change in the composition of the legislative assembly. The DMK emerged as the largest single group with 138 seats and 40.6 per cent of the total votes polled. The Congress emerged as the second largest group with 49 seats and 41.2 per cent of the votes polled. Thus even though the Congress was more popular than the DMK in terms of votes polled, the seats won by it were less than half of those secured by the DMK. Swatantra emerged as the third largest group with 20 seats, CPI (M) having the fourth rank — 11 seats only.

The split in the Congress had its impact in the current year's election to Tamil Nadu legislative assembly. Here Congress (R) had an alliance with the DMK; consequently it did not field any of its candidates opposite the DMK. The Congress (O) under the leadership of Mr K. Kamaraj was the main opposition political group which fared very badly in the election. The DMK improved upon its strenght in the legislature by a very vide margin as it secured 184 seats out of a total of 234. Congress (O) was able to win only 15 seats. CPI followed next with eight seats and Swatantra secured only six sests. In this way, the DMK became the unquestioned leader in the state legislature with feeble opposition from other political parties.

Orissa : State Assembly Elections

The Congress was the leading political party after the mid-term poll held for the Orissa Legislative Assembly in 1961. Out of 140 seats for the state assembly, this premier political party had won as many as 82 seats. The PSP occupied the second rank with 10 seats, while CPI secured only four seats, The remaining 44 seats were shared by independents and others. The 1967 election to the state assembly saw a great change as a sizable percentage of the voters changed their affiliation from Congress to Swatantra, a party which had emerged on the Indian political scene after the third general election. In Orissa it was able to demonstrate its strength; out of 140 seats, it secured as many as 49 seats. The Congress lost heavily as its strength was reduced to only 31 seats. The PSP occupied the third rank with 21 seats while Jana Congress had 17 seats to its credit. For the first time, this state came under the rule of the Swatantra Party.

The split in the Congress in 1969 had its effect in this state also and this was demonstrated in the current year's election to the state legislature. Congress (R) with 51 seats to its credit put up a better performance than the undivided Congress in the fourth general election in 1967. Congress (O) was able to secure only one seat showing that it did not have any base in this state. Swatantra, however, put up a brave fight and was able to win 36 seats as against 49 in the fourth general election. The other major parties put up a very poor show and at the time of going to press, the political situation in the state remains uncertain. Utkal Congress is now a sizable political force with 32 seats at its command. It is, therefore, the third largest group in the state assembly after Congress (R) and Swatantra.

TABLE VI

ORISSA ASSEMBLY RESULTS

Party	Seats won		
	1961**	1967	1971
Congress	82	31	51†
Swatantra	..	49	36
PSP	10	21	4
CPI	4	7	4
CPI(M)	..	1	2
SSP	..	2	..
Jana Sangh	..	..	..
Jana Congress	..	17	1
Jharkhand	..	..	4
Socialist Unity	..	..	..
Independents, including others*	44	12	37††
Total	140	140	139(a)

*Included in it is the Ganatantra Parishad whose score in 1961 was : seats contested 121; seats won 37;

**Mid-terms election.

†Congress (R)

(a) Poll postponed in one constituency.

††Utkal Congress—32
Congress(O)—1
Independents—4

GENERAL ELECTIONS 1952—71

Appendix

First General Election 1951-52

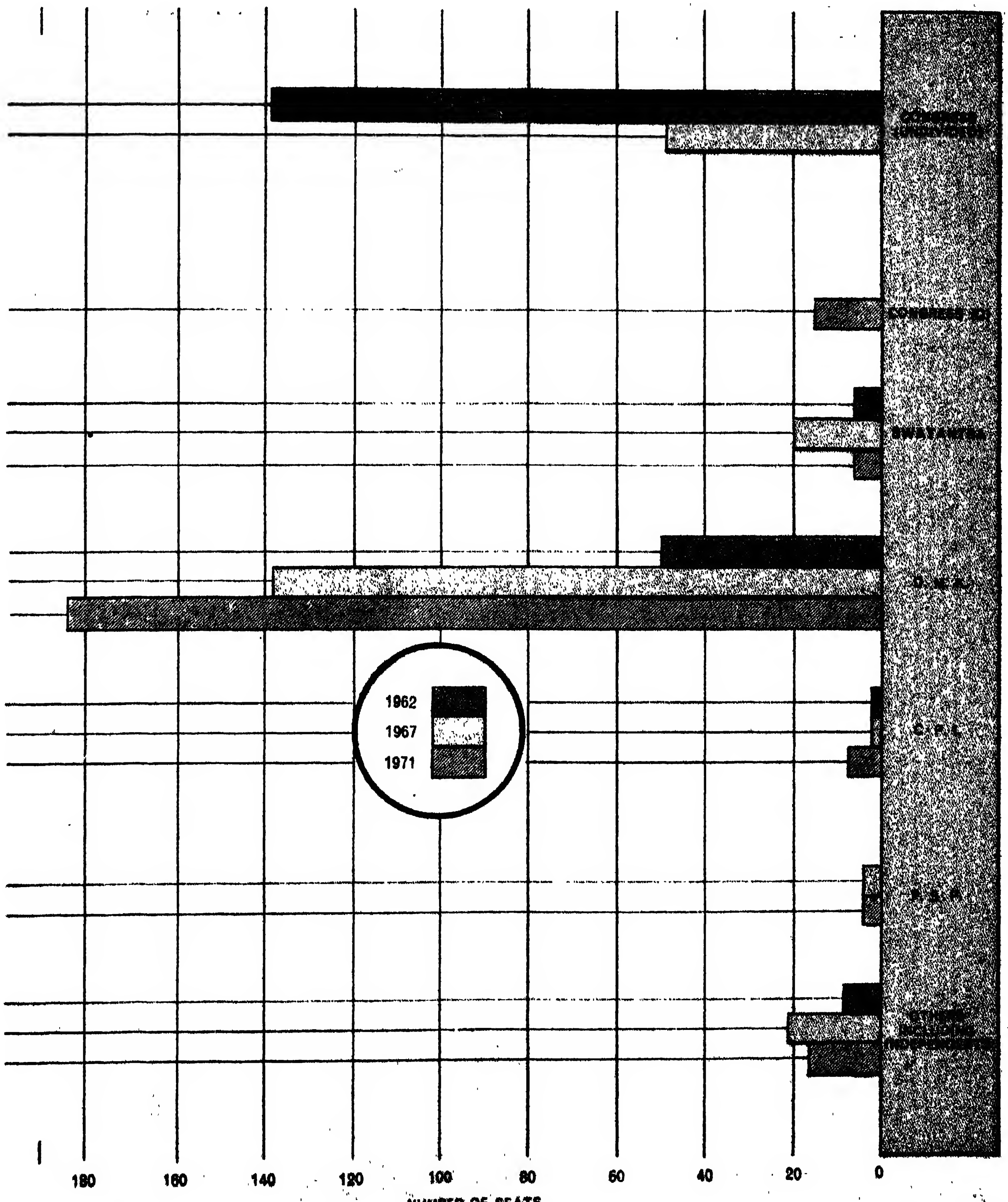
THE ELECTORATE—VOTES POLLED
House of the People (Lok Sabha)

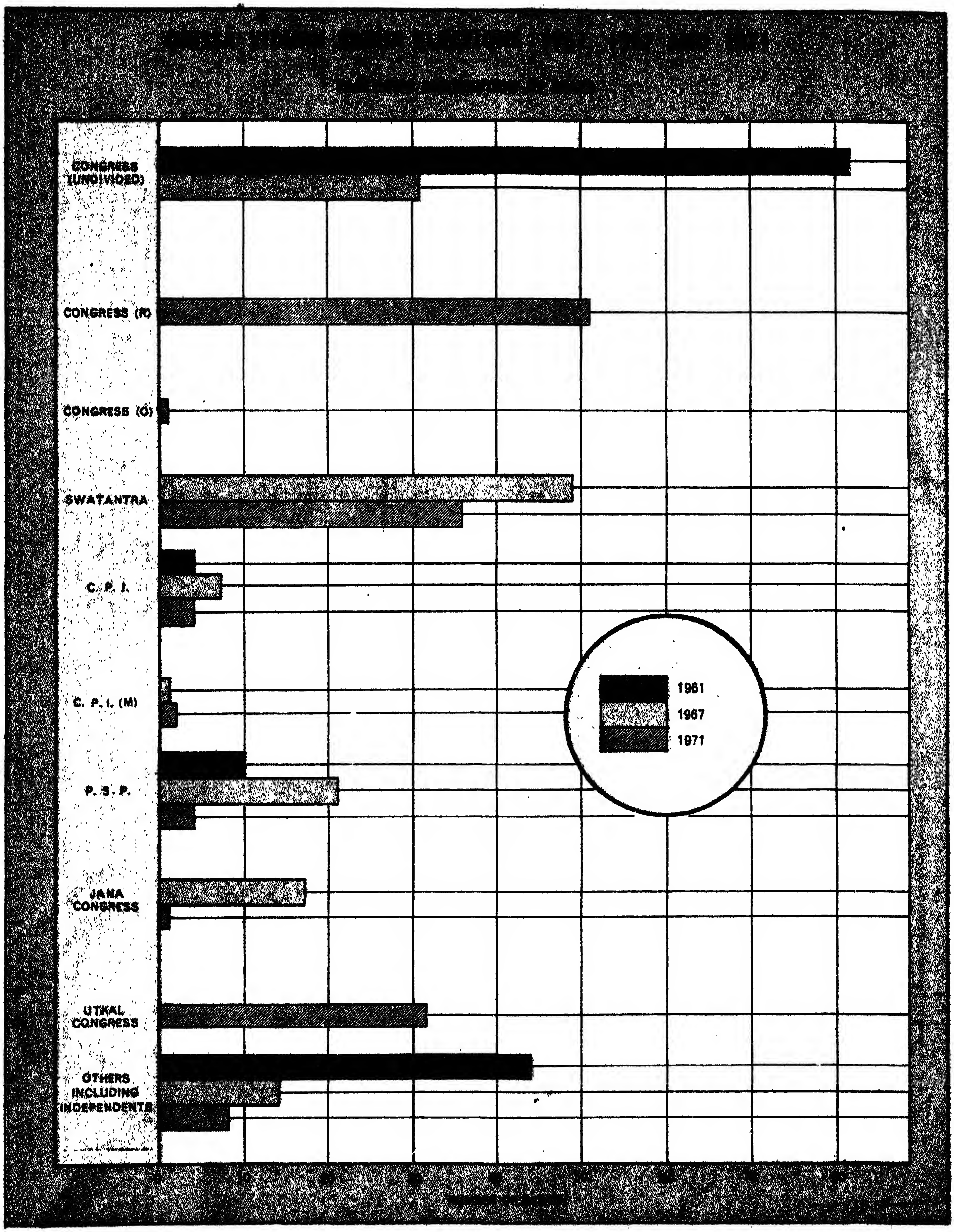
Name of State	No. of seats	Total No. of electors (In thousand)	No. of seats filled without contest	No. of contest-ed consti-tuencies	Total No. of electors* in contested constitu-encies (In thousand)	Total No. of votes in contested constitu-encies	Total No. of valid votes polled (In thousand)	Percentage of Col. 8 to Col. 7
1	2	3	4	5	6	7	8	9
Part 'A' States								
1. Assam	12	41,42*	—	10	41,42*	55,52*	26,47	47·7
2. Bihar	55	1,80,80	1	44	1,80,80	2,46,72	99,92	40·5
3. Bombay	45	1,67,90	1	37	1,67,90	2,20,11	1,15,28	52·4
4. Madhya Pradesh	29	1,10,75	—	23	1,10,75	1,56,43	71,93	45·0
5. Madras	75	2,69,81	2	61	2,66,35	3,53,91	1,99,30	56·4
6. Orissa	20	77,08	1	15	73,15	1,03,40	36,59	35·4
7. Punjab	18	67,19	—	15	67,18	90,23	49,92	55·3
8. Uttar Pradesh	86	3,17,70	—	69	3,17,70	4,44,53	1,70,75	38·4
9. West Bengal	34	1,24,98	—	26	1,24,98	1,87,98	76,14	40·5
Total for Part 'A' States	374	13,57,63	5	300	13,50,23	18,58,83	8,46,30	45·5
PART 'B' States								
10. Hyderabad	25	90,35	2	20	86,73	1,08,63	48,55	44·7
11. Madhya Bharat	11	40,91	—	9	40,91	55,69	19,54	35·0
12. Mysore	11	39,70	—	9	39,70	54,39	28,24	51·9
13. PEPSU	5	17,64	—	4	17,64	24,77	14,75	59·5
14. Rajasthan	20	76,76	—	18	76,76	91,84	35,27	38·4
15. Saurashtra	6	18,39	1	5	15,43	15,44	7,63	50·0
16. Travancore-Cochin	12	42,10	—	11	4,210	49,16	34,90	71·0
Total for Part 'B' States	90	3,25,85	3	76	3,19,27	3,99,91	1,88,88	47·2
Part 'C' States								
17. Ajmer	2	3,29	—	2	3,29	3,29	1,79	54·3
18. Bhopal	2	4,20	—	2	4,20	4,20	1,69	40·3
19. Bilaspur	1	68	1			No Polling Took Place		
20. Coorg	1	95	—	1	95	95	64	67·0
21. Delhi	4	7,45	—		7,45	11,33	6,56	357·9
22. Himachal Pradesh	3	5,31	—	2	5,31	8,81	2,23	25·3
23. Kutch	2	2,88	—	2	2,88	2,88	1,20	41·4
24. Manipur	2	2,99	—	2	2,99	2,99	1,53	51·1
25. Tripura	2	3,30	—	2	3,30	3,30	1,57	47·7
26. Vindhya Pradesh	6	17,61	1	4	17,61	23,48	7,06	30·0
Total for Part 'C' States	25	48,66	2	20	47,98	61,23	24,27	39·6
Grand Total for All States	489	17,32,14	10	396	17,17,47	23,19,97	10,59,45	45·7

*Including electors of Naga Hills Distt. which was a part of House of the People constituency No. 2.

TAMIL NADU VIDHAN SABHA ELECTIONS 1962, 1967 AND 1971

PARTYWISE DISTRIBUTION OF SEATS




CONGRESS (UNDIVIDED)
CONGRESS (R)
CONGRESS (O)
SWATANTRA
C. P. I.
C. P. I. (M)
P. S. P.
JANA CONGRESS
UTKAL CONGRESS
OTHERS INCLUDING INDEPENDENTS
1961
1967
1971

First General Election, 1951-52

NUMBER AND PERCENTAGE OF VALID VOTES POLLED PARTY-WISE

House of the People (Lok Sabha)

Name of State	Total No. of con-tested seats	Total No. of valid votes polled (In th.)	Congress No. (In th.)	Congress %	Socialist Party No. (In th.)	Socialist Party %	KMPP No. (In th.)	KMPP %	Communist Party No. (In th.)	Communist Party %	Jana Sangh No. (In th.)	Jana Sangh %	Forward Bloc (Marxist Group) No. (In th.)	Forward Bloc (Marxist Group) %	Forward Bloc (Ruikar Group) No. (In th.)	Forward Bloc (Ruikar Group) %	Hindu Mahasabha No. (In th.)	Hindu Mahasabha %
Part 'A' States																		
Assam	12	26,47	12,11	53 2	5,07	22·5	2,66	10	—	—	96	3 6	—	—	—	—	—	—
Bihar	54	99,92	45,73	45·8	21,26	21·3	3,39	3·4	39	0·4	40	0·9	1,33	1·3	—	—	19	0·4
Bombay	44	115,28	57,81	50·2	16,82	14·6	6,40	5·6	1,54	1·3	—	—	70	0·6	—	—	—	—
Madhya Pradesh	29	71,93	37,14	51·6	8,77	12·1	4,52	6·2	29	0·4	3,55	4·9	—	—	34	0·4	22	0·3
Madras	73	199,30	72,53	36·4	10,55	5·3	19,52	9·8	17,80	8·9	—	—	3,32	1·7	—		16	0·1
Orissa	19	36,59	15,56	42·5	5,63	15·4	53	1·4	2,11	5·8	—	—	—	—	—	—	—	—
Punjab	18	49,92	21,35	42·8	1,08	2·2	—	—	2,52	5·0	2,80	6·0	—	—	—	—	—	—
Uttar Pradesh	86	170,75	97,40	53·0	22,09	13·0	8,36	5·0	60	0 4	12,44	7·0	—	—	—	—	3,26	2·0
West Bengal	34	76,14	32,05	42·1	1,52	2·0	6,79	8·9	7,20	9·5	4,52	5·9	3,44	4·5	82	1·1	3,25	4·3
Total for Part 'A' States	369	846,30	384,75	45·5	92,81	10·9	52,17	6·2	32,46	3·8	24,68	2·9	8,80	1	1,16	0·14	7,08	0·9
Part 'B' States																		
Hyderabad	23	48,55	19,46	40·0	6,51	13 4	—	—	—	—	—	—	—	—	—	—	—	—
Madhya Bharat	11	19,54	9,92	50·8	2,68	13·7	5	0·2	25	1·3	1,89	9 7	—	—	—		1,22	6·3
Mysore	11	28,24	15,09	53·4	1,81	6·4	6,51	23·0	73	2·5	1,17	4·1	—	—	—	—	—	—
PEPSU	5	14,75	4,92	33·4	0,38	2·5	40	2·6	—	—	43	2·9	31	2·1	—	—	—	—
Rajasthan	20	35,27	14,61	41·4	1,19	3·4	31	0·9	5	0·2	1,07	3·0	—	—	—	—	35	1·0
Saurashtra	5	7,63	5,06	66 6	37	4·7	32	4·6	—	—	—	—	—	—	—		99	11·4
Travancore-Cochin	12	34,90	12,25	35·1	4,60	13 2	—	—	—	—	—	—	—	—	—	—	—	—
Total for Part 'B' States	87	188,88	81,31	43·0	17,55	9 3	7,59	4	1,04	0·5	4,56	2·4	31	0·2	—	—	2,57	1·4
Part 'C' States																		
Ajmer	2	1,79	90	50					25	14	29	16 2	—	—	—	—	—	—
Bhopal	2	1,69	97	57	3	1·9		—	—	—	—	—	—	—	—	—	35	21
Bilaspur	No poolling took place																	
Coorg	1	64	38	59 0	—			—	—	—	—	—			—	—	—	—
Delhi	4	6,56	3,24	49 4	—	—	48	7·2	—	—	1,70	25·9	—	—	—	—	4	0·5
Himachal Pradesh	3	2,23	1,17	52 4	17	7·5	27	12·3	—	—	24	10 7	—	—	—	—	—	—
Kutch	2	1,20	79	65·8	6	5 0	—	—	—	—	—	—		—		—	—	—
Manipur	2	1,52	36	23.0	39	19		—	13	8·6	—	—		—	—		—	—
Tripura	2	1,57	40	25·6	—	—	—	—	96	61 3	10	6·1	—	—	—	—	—	—
Vindhya Pradesh	5	7,06	2,38	33·7	1,25	17 7	1.06	15 0	—	—	90	12 7	—	—	—	—	—	—
Total for Part 'C' States	23	24,27	10,60	43·7	1.81	7 5	1,81	7·5	1,35	5 5	3,22	13 3	—	—	—	—	39	1·6
Total for All States	479	1059,44	476,66	45·0	112,17	10·6	61,57	5·8	34,84	3·3	32,46	3·1	9,11	0·9	1,16	0 10	10,03	0·59

(Contd. on page 568)

First General Election, 1951-52

NUMBER AND PERCENTAGE OF VALID VOTES POLLED PARTY-WISE (*Contd.*)

House of the People (Lok Sabha)

Name of State	Total No. of contested seats	Total No. of valid votes polled (in th.)	Ram Rajya Parishad		Scheduled Castes Federation		Revolutionary Socialist Party		Revolutionary Communist Party		Bolshevik Party of India		Krishikar-Lok Party		Other Parties		Independents	
			No. (In th.)	%	No. (In th.)	%	No. (In th.)	%	No. (In th.)	%	No. (In th.)	%	No. (In th.)	%	No. (In th.)	%	No. (In th.)	%
Part 'A' States																		
Assam	12	26,47	—	—	—	—	—	—	—	—	—	—	—	—	2,37	8·9	3,31	12·1
Bihar	54	99,92	80	0·8	—	—	—	—	—	—	—	—	—	—	13,63	9·5	12,78	12·8
Bombay	44	115,28	2,61	2·3	5,11	4·4	—	—	—	—	—	—	1,65	1·4	9,13	7·9	13,50	11·7
Madhya Pradesh	29	71,93	3,97	5·5	3,16	4·3	—	—	—	—	—	—	—	—	1,37	1·9	8,58	11·9
Madras	73	119,30	15	0·1	5,24	2 6	—	—	—	—	—	—	9,68	4·9	14,20	7·1	46,13	23·1
Orissa	19	36,59	—	—	—	—	—	—	—	—	—	—	—	—	9,60	26·2	3,17	8·7
Punjab	18	49,92	1,24	2·4	2,39	4 8	—	—	—	—	—	—	—	—	9,25	18	9,30	18·6
Uttar Pradesh	86	170,75	6,06	4 0	4,92	3 0	65	0·4	—	—	—	—	—	—	2,34	1·1	19,56	11·0
West Bengal	34	76,14	13	0·2	—	—	1,09	1·4	26	0·4	26	0 3	—	—	72	0·9	14,08	18·5
Total for Part 'A' States	369	846,30	14,97	1·8	20,83	2 5	1,74	0·2	26	0 3	26	0·3	11·33	1·3	62,61	7 4	130,41	15·4
Part 'B' States																		
Hyderabad	23	48,55	—	—	3,09	6 3	—	—	—	—	—	—	—	—	15,60	32	3,89	
Madhya Bharat	11	19,54	2,78	14 2	—	—	—	—	—	—	—	—	—	—	—	—	74	3·88
Mysore	11	28,24	—	—	—		—	—	—	—	—	—	—	—	—	—	2,92	10·3
PEPSU	5	14,75	—	—	—	—	—	—	—	—	—	—	—	—	5,19	35·1	3,12	21·1
Rajasthan	20	35,27	3,32	9 4	44	1 3	—	—	—	—	—		3,57	10·3	06	0·2	10,28	29·2
Saurashtra	5	7,63		—			—	—	—	—	—	—	—	—	30	4·2	58	8·3
Travancore-Cochin	12	34,90	—	—		—	2,20	6·3	—	—	—	—	—	—	3,21	9·2	12,65	36·2
Total for Part 'B' States	87	188,88	6,10	3·2	3,53	1·9	2,20	1·2	—	—	—	—	3,57	1·9	24,36	12·9	34,19	18·2
Part 'C' States																		
Ajmer	2	1,79	14	7·8	—	—	—	—	—	—	—	—	—	—	11	6	11	6
Bhopal	2	1,69	—	—	—	—	—	—	—	—	—	—	—	—	9	5	25	14
Bilaspur	No polling took place																	
Coorg	1	64	—	—	—	—	—	—	—	—	—	—	—	—	—	—	26	41
Delhi	4	6,56	4	0·6	23	3 4	—	—	—	—	—	—	—	—	—	—	83	12·6
Himachal Pradesh	3	2,23		—	19	8 4	—	—	—	—	—	—	—	—	—	—	19	8·5
Kutch	2	1,20	—	—	—	—	—	—	—	—	—	—	—	—	—	—	35	29·9
Manipur	2	1,52	—	—	—	—	—	—	—	—	—	—	—	—	60	39	14	1
Tripura	2	1,57	—	—	—	—	—	—	—	—	—	—	—	—	—	—	11	6·9
Vindhya Pradesh	5	7,06	27	3·7	25	3 5	—	—	—	—	—	—	—	—	—	—	95	13·4
Total for Part 'C' States	23	24,27	45	1·8	67	2·7	—	—	—	—	—	—	—	—	79	3·3	3,18	13·1
Total for All States	479	1059,44	21,52	2·03	25,02	2·3	3,94	0·37	26	0·02	26	0·02	14,90	1·4	87,77	8·3	167,79	15·8

Second General Election, 1957

NUMBER AND PERCENTAGE OF VALID VOTES POLLED PARTY-WISE
House of the People (Lok Sabha)

Name of State/ Union Territory	Total •No. of contested seats	Total No. of valid votes polled (In th.)	Congress		PSP		Communist		Jana Sangh		Other Parties & Ind.	
			Votes polled (In th.)	Percentage of total	Votes polled (In th.)	Percentage of total	Votes polled (In th.)	Percentage of total	Votes polled (In th.)	Percentage of total	Votes polled (In th.)	Percentage of total
States												
Andhra Pradesh	39	9,531	4,906	51 47	345	3·63	1,145	12·01	4	0·04	3,131	32·85
Assam	10	2,293	1,185	51·68	458	20·00	235	10·24	—	—	415	18·10
Bihar	51	10,008	4,450	44·47	2,165	21·64	503	5·20	8	0·08	2,882	28·79
Bombay	66	16,760	8,156	48·66	1,457	8·66	1,055	6·30	566	3·38	5,526	33·00
Kerala	18	6,050	2,103	34·75	438	7·24	2,268	37·48	—	—	1,241	20·50
Madhya Pradesh	35	7,614	3,967	52·10	1,226	16·10	31	0·41	1,063	13·96	1,327	17·43
Madras	40	10,951	5,095	46·52	400	3·65	1,101	10·06	—	—	4,355	39·77
Mysore	24	5,798	3,219	55 52	1,083	18·67	85	1·47	144	2·48	1,268	21·86
Orissa	20	4,440	1,777	40·01	684	15·40	215	4·84	—	—	1,765	39·74
Punjab	22	7,184	3,682	51·25	41	0·57	1,208	16·81	1,153	16·04	1,100	15·30
Rajasthan	22	4,649	2,494	53·60	59	1·30	223	4·80	518	11·10	1,354	29·20
Uttar Pradesh	86	22,896	10,600	46·29	3,511	15·34	384	1·67	3,385	14·79	5,017	21·91
West Bengal	36	10,440	5,032	48·20	591	5·66	1,985	19 01	149	1·43	2,683	25·70
Union Territories												
Delhi	5	811	441	54·32	29	3·53	38	4·71	160	19·72	144	17·72
Himachal Pradesh	4	363	172	47·30	43	11·80	10	2·80	—	—	138	38·10
Manipur	2	174	49	27·96	13	7·29	19	11·08	—	—	93	53·65
Tripura	2	550	253	46·01	—	—	248	45·31	—	—	49	8·84
Total	482	120,514	57,580	57·78	12,543	10·41	10,754	8·92	7,150	5·93	32,488	26·96

Second General Election, 1957

SEATS AND CONSTITUENCIES
House of the People (Lok Sabha)

Name of State/ Union Territory	Total number of seats	No. reserved for		Total number of constituencies	Nature of Constituencies							
					Single-Member				Two-Member			
		Scheduled Castes	Scheduled Tribes		Total No.	Unreserved	Reserved for Scheduled Castes	Reserved for Scheduled Tribes	Total No.	Unreserved	Reserved for Scheduled Castes	Reserved for Scheduled Tribes
States												
Andhra Pradesh	43	6	2	35	27	27	—	—	8	—	6	2
Assam	12	1	2*	10	8	7	—	1	2	—	1	1
Bihar	53	7	5	45	37	33	—	4	8	—	7	1
Bombay	66	7	5	58	50	46		4	8	—	7	1
Kerala	18	2	—	16	14	14	—	—	2	—	—	—
Madhya Pradesh	36	5	7	27	18	15	—	3	9	9	5	4
Madras	41	7	—	34	27	27	—		7	—	7	—
Mysore	26	3	—	23	20	20	—	—	3	—	3	—
Orissa	20	4	4	14	8	6	—	2	6	—	4	2
Punjab	22	5	—	17	12	12	—		5	—	5	—
Rajasthan	22	3	2	18	14	13		1	4		3	1
Uttar Pradesh	86	18	—	68	50	50		—	18	—	18	—
West Bengal	36	6	2	28	20	20	—		8		6	2
Union Territories												
Delhi	5	1	—	4	3	3	—	—	1	—	1	—
Himachal Pradesh	4	1	—	3	2	2		—	1	—	1	—
Manipur	2	—	1	2	2	1	—	1	—	—	—	—
Tripura	2	—	1	1	—	—	—	—	1	—	—	1
Total	494	76	31	403	312	296	—	16	91	—	76	15

*One seat reserved for autonomous districts.

Second General Election, 1957

STATE-WISE TURN-OUT
House of the People (Lok Sabha)

	No. of constituencies*	No. of seats	No. of electors (In thousand)	No. of votes in contested constituencies (In thousand)	No. of votes polled (In thousand)	No. of valid votes polled (In thousand)	Percentage of votes polled (Col. 6 to 5)
1	2	3	4	5	6	7	8
States							
Andhra Pradesh	35	43	176,69	221,70	97,23	95,31	42·99
Assam	10	12	44,95	49,69	23,17	22,93	46·14
Bihar	45	53	195,15	238,21	102,21	100,08	42·01
Bombay	58	66	244,59	304,78	169,87	167,60	54·99
Kerala	16	18	75,15	91,61	60,98	60,50	66·04
Madhya Pradesh	27	36	140,10	207,10	78,65	76,14	37·77
Madras	34	41	175,15	229,35	112,61	109,51	47·75
Mysore	23	26	100,07	111,07	58,70	57,98	52·58
Orissa	14	20	79,84	127,32	45,98	44,40	34·88
Punjab	17	22	92,09	133,64	73,51	71,84	53·76
Rajasthan	18	22	87,46	119,08	48,35	46,49	39·00
Uttar Pradesh	68	86	349,02	497,56	237,76	228,96	46·02
West Bengal	28	36	152,17	219,00	106,33	10,404	47·67
Union Territories							
Delhi	4	5	9,76	14,16	8,19	8,11	57·29
Himachal Pradesh	3	4	6,72	9,93	3,73	3,63	37·52
Manipur	2	2	3,30	3,30	1,74	1,74	52·72
Tripura	1	2	4,33	8.66	5,60	5,50	63·56
Total	403	494	19,36,62	25,86,17	12,34,62	1,05,14	46·60

*Includes single and double-member constituencies.

Third General Election, 1962

ELECTED CANDIDATES PARTY-WISE

House of the People (Lok Sabha)

State/Union Territories	Congress	Communist	Swatantra	Praja-Socialist	Jana Sangh	Socialist	Other recognised parties	Unrecognised parties	Independents	Remarks
States										
Andhra Pradesh	34	7	1	0	0	0	0	0	1	
Assam	9	0	0	2	0	0	0	1a	0	
Bihar	39	1	7	2	0	1	3*	0	0	* Jharkhand
Gujarat	16	0	4	1	0	0	0	1*	0	* Nutan Maha Gujarat Janta Parishad
Kerala	6	6	0	0	0	0	2*	1b	3	* Muslim League
Madhya Pradesh	24	0	0	3	3	1	0	0*	4	* Foward Bloc
Madras	30	2	0	0	0	0	7c	1d	0	
Maharashtra	41	0	0	1	0	0	0*	1*	2	* Peasant's & Workers'
Mysore	25	0	0	0	0	0	0	0	0	* Lok Sevak Sangh
Orissa	13	0	0	1	0	1	4*	0	0	* Ganatantra Parishad
Punjab	14	0	0	0	3	1	3*	1e	0	* Akali Dal
Rajasthan	14	0	3	0	1	0	0	0	3	
Uttar Pradesh	61	2	3	2	7	1	0	0	5	
West Bengal	22	9	0	0	0	0	1*	2f	2	* Forward Bloc
Union Territories										
Delhi	5	0	0	0	0	0	0	0	0	
Himachal Pradesh	4	0	0	0	0	0	0	0	0	
Manipur	1	0	0	0	0	1	0	0	0	
Tripura	0	2	0	0	0	0	0	0*	0	* EasternI ndia Tribal Union
Total	358	29	18	12	14	6	20	8	20	

Note Republican 3 (Uttar Pradesh); Hindu Mahasabha 1 (Uttar Pradesh); Ram Rajya Parishad 2 (one each in Rajasthan and Madhya Pradesh). (a) All Party Hill Leaders' Conference; (b) Revolutionary Socialist Party; (c) Dravida Munnetra Kazhagam; (d) Forward Bloc; (e) Haryana Lok Samity; (f) Revolutionary Socialist Party (1) and Lok Sevak Sangh (1).

Third General Election, 1962

PLURALITY OF CANDIDATES

House of the People (Lok Sabha)

State/Union Territories	Number of contested seats	Number of seats contested by: 2 candidates	3 candidates	4 candidates	5 candidates	6 candidates	7 candidates	8 candidates	9 candidates	10 or more	Weighted Average
States											
Andhra Pradesh	43	7	20	9	5	2	—	—	—	—	3·4
Assam	12	1	7	3	—	1	—	—	—	—	4·9
Bihar	53	3	17	7	16	6	1	2	1	—	4·4
Gujarat	22	5	11	5	1	—	—	—	—	—	3·1
Kerala	18	8	6	4	—	—	—	—	—	—	3·1
Madhya Pradesh	36	—	8	15	7	4	1	—	1	—	5·0
Madras	40	4	15	12	7	1	—	—	1	—	3·7
Maharashtra	44	5	11	20	5	2	—	1	—	—	3·8
Mysore	26	9	4	8	4	1	—	—	—	—	3·9
Orissa	19	11	6	2	—	—	—	—	—	—	2·5
Punjab	22	2	3	4	6	5	—	—	2	—	4·8
Rajasthan	22	—	7	5	1	4	3	—	1	1*	5·0
Uttar Pradesh	85	1	10	20	21	18	8	4	1	2†	5·2
West Bengal	36	11	14	7		—	—	—	—	3	3·1
Union Territories											
Delhi	5	—	—	3	—	—	1		1	—	5 6
Himachal Pradesh	4	2	1	1	—	—	—	—	—	—	2·7
Manipur	2	—	—	—	1	1	—	—	—	—	5·5
Tripura	2	—	1	1	—	—	—	—	—	—	3·5
Total	491	69	141	126	78	45	14	7	8	3	4.0

* 11 candidates in Jaipur parliamentary constituency.

† 10 candidats each in Kanpur and Firozabad parliamentary constituencies.

Third General Election, 1962

VOTES POLLED PARTY-WISE

House of the People (Lok Sabha)

(In thousand)

	Total No. of valid votes polled	No. and percentage of valid votes polled by						
		Congress	Com-munist	Swatantra	Praja Socialist	Jana Sangh	Republican	Socialis
States								
Andhra Pradesh ..	11,908	5,711 (47·96)	2,506 (21·04)	1,775 (14·91)	8 (0·07)	139 (1·17)	115 (0·96)	— —
Assam	2,495	1,127 (45·16)	176 (7·05)	—	478 (19·16)	—	—	7·2 (2·88)
Bihar	9,946	4,365 (43·89)	635 (6·38)	1,811 (18·21)	1,262 (12·69)	233 (2·34)	.	608 (6·123)
Gujarat	5,283	2,776 (52·56)	..	1,320 (25·00)	375 (7·10)	76 (1·44)	47 (0·89)	(0·05)
Kerala	5,529	1,895 (34·28)	1,961 (35·46)	10 (0·17)	547 (9·89)	37 (0·68)	—	—
Madhya Pradesh ..	6,704	2,652 (39·55)	60 (0·90)	49 (0·73)	825 (12·30)	1,193 (17·87)	123 (1·84)	355 (5·29)
Madras	12,424	5,623 (45·26)	1,272 (10·24)	1,301 (10·47)	209 (1·68)	5 (0·04)	191 (1·54)	45 (0·36)
Maharashtra	11,149	5,896 (52·89)	451 (4·05)	31 (0·28)	598 (5·36)	491 (4·40)	1,300 (11·66)	—
Mysore	6,419	3,381 (52·67)	99 (1·53)	501 (7·81)	930 (14·49)	172 (2·68)	247 (3·86)	—
Orissa	1,969	1,093 (55·53)	101 (5·11)	23 (1·15)	305 (15·50)	—	.	53 (2·67)
Punjab	6,786	2,803 (41·30)	321 (4·73)	291 (4·28)	—	1,030 (15·18)	424 (6·25)	152 (2·25)
Rajasthan	5,193	1,952 (37·58)	155 (2·99)	940 (18·10)	...	482 (9·28)	—	192 (3·69)
Uttar Pradesh ..	17,910	6,842 (38·20)	650 (3·63)	903 (5·04)	1,852 (10·35)	3,147 (17·57)	764 (4·27)	1,547 (8·64)
West Bengal ..	9,733	4,554 (46·78)	2,860 (29·39)	99 (1·02)	442 (4·54)	102 (1·05)	— —	4 (0·04)
Union Territories								
Delhi ..	894	453 (50·68)	19 (2·14)	.	1 (0·12)	292 (32·66)	28 (3·14)	—
Himachal Pradesh	243	167 (68·65)	—	31 (12·78)	—	11 (4·49)	16 (6·56)	—
Manipur ..	265	82 (30·93)	22 (8·13)	..	11 (4·12)	—	—	70 (26·30)
Tripura ..	319	137 (42·81)	164 (51·27)	...	6 (1·98)	—	—	—
Total ..	169	51,509 (44·72)	11,450 (9·94)	9,085 (7·89)	7,848 (6·81)	7,415 (6·44)	3,256 (2·83)	3,099 (2·69)

(Continued on page 578)

Third General Election, 1962

VOTES POLLED PARTY-WISE—(*Contd.*)

House of the People (Lok Sabha)

(In thousand)

	No. and percentage of valid votes polled by					Remarks
	Hindu Mahasabha	Ram Rajya Parishad	Other recognised parties	Un-recognised parties	Independents	
States :						
Andhra Pradesh	—	—	—	—	1,653 (13·89)	
Assam	·	—	—	125a (5·02)	517 (20·71)	
Bihar	24 (0·24)	20 (0·20)	467* (4·70)	—	521 (5·23)	*Jharkhand
Gujarat	20 (0·38)	—	—	196* (3·71)	469 (8·87)	*Nutan Maha Gujarat Janta Parishad
Kerala	—	—	248* (4·49)	199b (3·60)	632 (11·43)	*Muslim League
Madhya Pradesh	255 (3·80)	324 (4·83)	—	35* (0·53)	829 (12·36)	*Forward Bloc
Madras	—	...	2,316c (18·64)	529d (4·26)	933 (7·51)	
Maharashtra	83 (0·74)	9 (0 08)	704* (6·31)		1,587 (14·23)	*Peasants' and Workers'
Mysore	---	—	--	213* (3 33)	875 (13·63)	*Lok Sevak Sangh
Orissa	--	—	343* (17·42)	—	52 (2·62)	*Ganatantra Parishad
Punjab	--	15 (0·22)	829* (12·22)	119e (1 75)	802 (11·82)	*Akali Dal
Rajasthan	11 (0·22)	191 (3·69)	—	—	1,269 (24·44)	
Uttar Pradesh	249 (1·39)	129 (0·72)	—		1,826 (10·19)	
West Bengal	101 (1·04)	-	615* (6·32)	367f (3·76)	590 (6·06)	*Forward Bloc
Union Territories						
Delhi	4 (0 49)	-	--	--	96 (10·77)	
Himachal Pradesh	--	-	--	—	18 (7·52)	
Manipur	-	--	-	—	81 (30 52)	
Tripura	--	-	—	13* (3·94)	—	*Eastern India Tribal Union
Total	748 (0·65)	689 (0 60)	5,552 (4·79)	1,797 (1·56)	12,750 (11·08)	

(a) All Party Hill Leaders' Conference—92(3·68); Revolutionary Communist Party 33 (1·34).
(b) Revolutionary Socialist Party.
(c) Dravida Munnetra Kazhagam—2,316 (18·64).
(d) Muslim League—170 (1 37); Tamil National Party—92 (0·74); Socialist Labour—80 (0·65); We Tamils—11 (0·09); Forward Bloc—176 (1·41).
(e) Haryana Lok Samity.
(f) Revolutionary Socialist Party—252 (2·59); Lok Sevak Sangh—68 (0·70); Gorkha League—46 (0·47).

Fourth General Election, 1967

NUMBER AND PERCENTAGE OF VALID VOTES POLLED PARTY-WISE
House of the People (Lok Sabha)

Party	Number of candidates	Seats Contested	Seats Secured	Votes polled	Percentage of total valid votes polled
Indian National Congress	516*	516*	283*	59,531,425	40·8
Swatantra	178	178	42	12,458,547	8·5
Jana Sangh	249	249	35	13,545,120	9·3
Samyukta Socialist Party	123	123	23	7,129,783	4·9
Communist Party of India	104	104	23	7,151,049	4·9
Communist Party of India (M)	63	63	19	6,507,323	4·5
Praja Socialist Party	110	110	13	4,489,289	3·1
Republican Party of India	72	72	1	3,688,791	2·5
Other Parties	80	80	39	10,290,973	7·1
Dravida Munnetra Kazhagam	25	8	25	5,524,514	3·8
Akali Dal (Sant Group)	8	8	3	968,712	0·7
Peasants and Workers' Party	11	11	2	1,029,057	0·7
Forward Bloc	6	6	2	627,910	0·4
Muslim League	2	2	2	414,091	0·3
All Party Hill Leaders' Conference	1	1	1	112,492	0·1
National Conference	4	4	1	210,020	0·2
Maha Gujarat Janta Parishad	1	1	1	179,844	0·1
Revolutionary Socialist Party	1	1	1	207,338	0·2
Janta Parishad	6	6	—	333,610	0·2
Kerala Congress	5	5	—	321,219	0·2
Akali Dal (Master Group)	7	7	—	189,290	0·1
Lok Sevak Sangh	1	1	—	142,088	0·1
Democratic National Conference	1	1	—	30,788	N
Naga Nationalist Organisation	1	1**	1**	—	—
Independents	874	368	42†	21,056,626	14·4
Total	2,369		520	145,848,926	100·0

*Includes 4 unopposed returns (Andhra Pradesh—1; Assam—1; Jammu and Kashmir—2).

**Returned unopposed from Nagaland.

†Candidate of United Goans (Sequeira Group) taken here as Independent.

'N' stands for negligible.

Fourth General Election, 1967

SEATS WON BY PARTIES IN LOK SABHA

State/Union Territory	Seats	Congress	Swatantra	CPI	CPI (M)	PSP	SSP	JS	Rep.	Others	Ind.	Total
States												
1. Andhra Pradesh	41	35	3	1	—	..	..	—	—	—	2	41
2. Assam	14	10	—	1	—	2	.	—	—	1(a)	—	14
3. Bihar	53	34	.	5	..	1	7	1	—	—	5	53
4. Gujarat	24	11	10	—	—	—		—	—	1(b)	2	24
5. Haryana	9	7	..	..	..	—	—	1	.	—	1	9
6. Jammu & Kashmir	6	5	—	—	—	.	—	—	—	1(c)	—	6
7. Kerala	19	1	..	3	9	—	3	—	—	3(d)	..	19
8. Madhya Pradesh	37	24	1	.	—	—	..	10	—	—	2	37
9. Madras	39	3	6	..	4		—	—	-	25(e)	1	39
10. Maharashra	45	37	—	2	—	1	2	..	—	2(f)	1	45
11. Mysore	27	18	5	—	..	2	1	—	—	..	1	27
12. Nagaland	1	—	—		—	—		.	—	1(g)		1
13. Orissa	20	6	8		.	4	1		.	—	1	20
14. Punjab	13	9	—	—	—	—	-	1	—	3(h)	—	13
15. Rajasthan	23	10	8	—	—	—	—	3	..	—	2	23
16. Uttar Pradesh	85	47	1	5	1	2	8	12	1	—	8	85
17. West Bengal	40	14	..	5	5	1	1	—	—	2(i)	12	40
Union Territories												
Andaman & Nicobar Islands	1	1	—	—	—	..	—	.	—	—	—	1
Chandigarh	1	—	—	.	—	—	—	1	—	—	—	1
Dadra & Nagar Haveli	1	1	—	—	—	—	—	—	—	—	—	1
Delhi	7	1	—	—	..		—	6	.	—	-	7
Goa, Daman & Diu	2	—	—	—	—	—	—	—	—	—	2*	2
Himachal Pradesh	6	6	—		—	—	—	—	—	—	—	6
Laccadive, Minicoy & Amindivi Islands	1	—	—	—	—	—	—	—	—	—	1	1
Manipur	2	—	—	1	—	—	—	—	—	—	1	2
Pondicherry	1	1	—	—	—	..	—	—	—	—	..	1
Tripura	2	2	—	—	—	—	.	—	—	—	..	2
Total	520	283	42	23	19	13	23	35	1	39	42	520

*United Goans (Sequeira Group) included in Independent.

(a) All Party Hill Leaders' Conference; (b) Maha Gujarat Janta Parishad; (c) National Conference; (d) Muslim League, Revolutionary Socialist Party; (e) Dravida Munnetra Kazhagam; (f) Peasants and Workers' Party; (g) Naga Nationalist Organisation (affiliated to Congress); (h) Shiromani Akali Dal (Sant Group); (i) Forward Bloc.

Fifth General Election, 1971

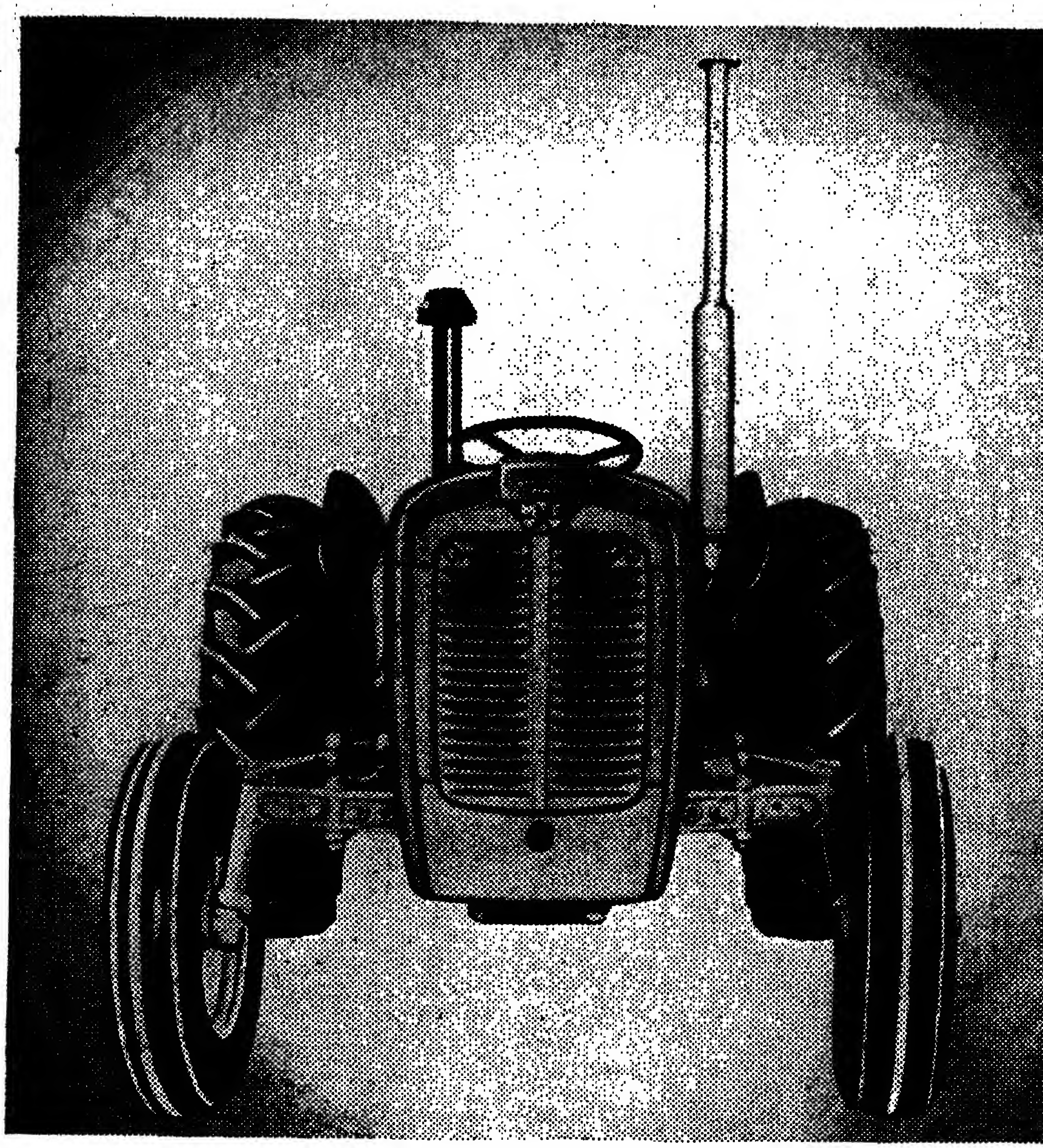
STATE-WISE PERFORMANCE OF DIFFERENT PARTIES
House of the People (Lok Sabha)

States/Union Territories	Total number of seats	Cong-(R)†	Cong-(O)††	JS	Swa	PSP	SSP	CPI(M)	CPI	BKD	DMK	RPI	Ind	Others*
States														
Andhra	41	28	..	..	..	..	..	1	1	..	..	..	1	10
Assam	14	13	..	..	..	..	..	..	..	..	..	..	..	1
Bihar	53	39	3	2	..	..	2	..	5	..	..	..	..	2
Gujarat	24	11	11	..	2	..	..	..	..	..	..	..	..	..
Haryana	9	7	..	1	..	..	..	..	..	..	..	..	..	1
Himachal Pradesh	4	3	..	..	..	..	..	..	..	..	..	..	..	..
Jammu & Kashmir	6	4	..	..	..	..	..	..	..	..	..	..	1	..
Kerala	19	6	..	..	..	..	..	2	3	..	..	..	1	7
Madhya Pradesh	37	21	..	11	..	..	1	..	..	..	..	..	4	..
Maharashtra	45	42	..	..	..	1	..	..	..	..	..	1	..	..
Mysore	27	27	..	..	..	..	..	..	.	..	..	..	..	..
Nagaland	1	..	..	.	..	..	..	..	..	..	..	..	..	1
Orissa	20	15	..	..	3	..	..	..	1	..	..	..	..	1
Punjab	13	10	..	..	..	..	..	..	2	..	..	..	..	1
Rajasthan	23	14	..	4	3	..	..	..	..	..	..	..	2	..
Tamil Nadu	39	9	1	..	..	..	..	..	4	..	23	..	1	1
Uttar Pradesh	85	73	1	4	..	..	..	..	4	1	..	..	2	..
West Bengal	40	13	..	..	..	1	..	20	3	..	..	..	..	3
Union Territories														
Andaman & Nicobar	1	1	..	..	..	..	..	..	..	..	..	..	..	..
Chandigarh	1	1	..	..	..	..	..	..	..	..	..	..	..	..
Dadra Nagar Haveli	1	1	..	..	..	..	.	..	..	..	..	..	..	..
Delhi	7	7	..	..	..	..	..	..	..	..	..	..	..	..
Goa, Daman and Diu	2	1	..	..	..	..	..	..	..	..	..	..	1	..
Laccadive, Minicoy and Amindivi Islands	1	1	..	..	..	..	..	..	..	..	..	..	..	..
Manipur	2	2	..	..	..	..	..	..	..	..	..	..	..	..
Pondicherry	1	1	..	..	..	..	..	..	..	..	..	..	..	..
Tripura	2	..	..	..	..	..	..	2	..	..	..	..	..	..
All-India Totals	518	350	16	22	8	2	3	25	23	1	23	1	13	28

*Statewise break-up of other parties †Cong.(R) Faction led by Mr Jagjivan Ram ††Cong. (O) Faction led by Mr Nijalingappa.

Andhra:	Revolutionary Communist Party of India 0., Socialist Unity Centre 0, Telengana Praja Samiti 10, Telengana Congress 0,
Assam:	APHLC 1, People's Democratic Party 0, SUC 0, RCPI 0, Hill State People's Democratic Party 0.
Bihar:	RCPI 0, SUC 0, Jharkhand Party 2, (one each to the Horo and Sumbrai factions), Janata Party 0, Shoshit Dal 0, Hindustani Shoshit Dal 0, Proutist Bloc 0, Forward Bloc 0, Ram Rajya Parishad 0.
Haryana:	Akali Dal 0, Vishal Haryana Party 1.
Kerala:	RSP 2, Muslim League 2, Kerala Congress 3.
Maharashtra:	Peasants & Workers Party 0, Shiv Sena 0, (Under "RPI" the solitary seat was won by the Gaekwad group).
Orissa:	Utkal Congress 1, Jana Congress 0, Jharkhand 0.
Punjab:	Akali Dal 1.
Rajasthan:	Vishal Haryana Party 0.
Tamil Nadu:	Muslim League 1, Forward Bloc 0, Tamil Arasu Kazhagam 0.
Uttar Pradesh.	Muslim League 0, Vishal Haryana Party 0, Muslim Majlis 0, Proutist Bloc 0, Kisan Mazdoor Party 0, Ram Rajya Parishad 0, ISP 0, Forward Bloc 0, Hindu Mahasabha 0, Revolutionary Socialist Party 0.
West Bengal:	Bangla Congress 1, Forward Bloc 0, RSP 1, SUC 0, RCPI 0, Jharkhand 0, Muslim League 1, Gorkha League 0, Lok Sewak Sangh 0, Forward Bloc (Marxist) 0, Biplabi Bangla Congress 0, Workers Party 0, Bolshevik Party 0.
Delhi:	Vishal Haryana Party 0, Hindu Mahasabha 0, Jantantra Party 0, Forward Bloc 0.
Goa:	United Goans 0, Maharashtrawadi Gomantak 0, The Independent who won the contest was backed by the latter party.
Nagaland:	United Front of Nagaland 1, Nagaland Nationalist Organisation 0.

Note: Three seats in the 518-member House remain to be filled. These are from Ladakh in Jammu & Kashmir and Mandi in Himachal Pradesh (where polling did not take place, being snowbound at this time of the year) and from Nagpur in Maharashtra (where polling was adjourned due to the death of a candidate).



Fifth General Election, 1971

STATEWISE ANALYSES OF LOK SABHA ELECTION RESULTS : 1971

ANDHRA PRADESH

Total electorate 2,25,96,411
Total votes polled 1,34,20,804
Percentage of votes polled 59 4

Party	Votes polled	Percentage of total valid votes polled	Seats contested	Seats won
Cong (R)	72,86,069	54 8	37	28
Cong (O)	7,25,996	5.5	12	—
Swatantra	5,97,777	5 0	9	—
Jana Sangh	2,05,556	1 6	5	—
CPI	7,76,019	6 0	11	1
CPI(M	3,68,713	3 0	5	1
SSP	40,853	0 4	2	—
Republican	33,708	0 3	4	—
T P.S	18,83,589	14 0	14	10
Telangana Cong.	43,548	0 4	7	—
Minorities & Labour Party	40,698	0 4	6	—
Backward Class Mahasabha	6,926	0 1	1	—
Akhil Bharatiya Ramrajya Parishad	536	—	1	—
Independents	10,73,392	8 5	93	1

ASSAM

Total electorate 63,07,365
Total votes polled 31,77,143
Percentage of votes polled 50 37

Party	Votes polled	Percentage of total valid votes polled	Seats contested	Seats won
Cong (R)	17,24,498	56 9	13	13
Cong (O)	88,155	2 9	10	—
Swatantra	7,033	0 2	1	—
Jana Sangh	74,542	2 5	1	—
CPI	1,70,977	5 6	5	—
CPI(M)	42,772	1 4	2	—
SSP	41,285	1 4	5	—
PSP	1,37,928	4 5	4	—
A P H.L.	90,772	3 0	1	1
Independents	6,48,576	21 5	36	—

BIHAR

Total electorate 3,09,11,092
Total voted polled 1,50,96,261
Percentage of votes polled 48 83

Party	Votes polled	Percentage of total valid polled	Seats contested	Seats won
Cong (R)	49,77,289	33 75	47	39
Cong (O)	17,14,357	11 57	24	3
Swatantra	35,331	0 02	3	—
Jana Sangh	18,01,372	12 60	28	2
SSP	14,10,251	9 52	28	2
CPI	14,67,146	9 98	17	5
CPI(M)	1,13,373	0 76	4	—
PSP	1,42,340	0 96	12	—
BKD	1,34,100	0 95	13	—
A.I. Jharkhand	1,20,300	0·81	12	1
Janta	1,39,091	0 96	4	—
Independents & Others	21,30,652	18 56	228	1

GUJARAT

Total electorate 1,15,34,565
Total votes polled 64,22,732
Percentage of votes polled 55 6

Party	Votes polled	Percentage of tatal valid votes polled	Seats contested	Seats won
Cong (R)	27,49,515	44 8	23	11
Cong (O)	24,33,643	39 6	19	11
Swatantra	3,34,858	5 4	4	2
Jana Sangh	1,35,791	2 2	5	—
PSP	97,418	1 0	1	—
Independents	3,78,804	6 1	66	—

HARYANA

Total electorate 47,68,032
Total votes polled. 30,68,699
Percentage of votes polled 64 3

Party	Votes polled	Percentage of total valid votes polled	Seats contested	Seats won
Cong (R)	15,72,929	52 73	9	7
Cong(O)	3,39,213	11 37	4	—
Jana Sangh	3,34,830	11 22	3	1
Vishal Haryana Party	2,74,091	9 19	3	1
BKD	16,978	0 56	2	--
CPI(M)	3,917	0 13	1	—
SSP	86,510	2 90	1	—
PSP	5,942	0 19	2	—
Forward Bloc	18,702	0 63	2	—
Arya Sabha	13,077	0 44	1	—
Proutist	3,108	0 10	1	—
RPI	14,665	0 49	3	—
Akali Dal	—	—	1	—
Independents	2,99,168	10 05	30	—

HIMCHAL PRADESH

Total electorate 12,53,339
Total votes polled 5,38,934
Percentage of votes polled 43

Party	Votes polled	Percentage of total valid votes polled	Seats contested	Seats won
Cong (R)	4,02,002	76 96	3	3
Cong (O)	13,998	2 68	2	—
Jana Sangh	72,542	13 89	2	—
Lok Raj Party	8,290	1 59	1	—
CPI	11,249	2 15	1	—
Swatantra	5,767	1 09	1	—
Independents	8,450	1 64	4	—

N.B. There are 4 seats. Polling in one constituency will be held in May.

(Contd.)

Fifth General Election, 1971

STATEWISE ANALYSIS OF LOK SABHA ELECTION RESULTS 1971—(Contd.)

JAMMU & KASHMIR

Total electorate	20,53,339
Total votes polled	11,81,024
Percentage of votes polled	57 53

Party	Votes polled	Percentage of total valid votes polled	Seats contested	Seats won
Cong (R)	6,09,909	54 0	5	4
Jana Sangh	1,42,750	12 1	3	—
Independents (Jamaati Islami)	1,68,977	15 0	2	—
PSP	5,332	0 4	1	—
Akali Dal	12,658	1 1	2	—
Independents & Others	1,89,613	17 0	5	1

N B. There are six seats Polling in one constituency will be held in May

KERALA

Total electorate	1,022,22,274
Total votes polled	65,91,197
Percentage of votes polled	64·68

Party	Votes polled	Percentage of total valid votes polled	Seats contested	Seats won
Cong (R)	12,89,601	19 76	7	6
Cong (O)	90,887	1 40	4	—
Swatantra	14,716	0 24	1	—
Jana Sangh	91,187	1 34	3	—
CPI	5,93,761	9 10	3	3
CPI(M)	17,11,442	26 21	11	2
Muslim League	3,66,702	5 63	2	2
Kerala Congress	5,42,431	8 31	3	3
RSP	4,19,796	6 44	2	2
PSP	1,43,745	2 21	1	—
SSP	57,382	0 88	2	—
Independents	12,07,213	18 48	28	1

MADHYA PRADESH

Total electorate	1,95,59,898
Total votes polled	99,94,061
Percentage of votes polled	48 03

Party	Votes polled	Percentage of total valid votes polled	Seats contested	Seats won
Cong (R)	40,24,649	45 58	36	21
Cong (O)	2,00,409	2 27	5	—
Jana Sangh	29,64,238	33 57	28	11
PSP	17,268	0 22	9	—
SSP	1,38,550	1 57	5	1
CPI			4	—
CPI(M)	5,362	0 09	1	—
Swatantra	8,242	0 09	1	—
Others	60,843	0 69	8	—
Independents	12,30,883	13 94	73	4

MAHARASHTRA

Total electorate	2,34,50,652
Toal votes polled	1,40,45,930
Percentage of votes polled	59·90

Party	Votes polled	Percentage of total valid votes polled	Seats contested	Seats won
Cong(R)	86,56,648	63 77	43	42
Cong(O)	3,78,748	2 79	9	..
SSP	3,02,971	2 23	9	..
PSP	2,33,289	1 72	8	1
PWP	7,41,535	5 46	12	..
Jana Sangh	7,27,177	5 35	13	..
RPI (Gaikwad)	1,53,794	1 13	1	1
RPI (Khobragade)	3,01,911	2 22	12	..
RPI (Kamble)	32,162	0 24	7	..
CPI	2,32,357	1 71	7	..
CPI (M)	67,169	0·49	2	..
BKD	1,75,821	1 29	4	..
Forward Bloc	1,70,950	1 26	2	..
Shiv Sena	2,27,468	1 67	5	..
Proutist	5,947	0 04	3	..
Hindu Sabha	318	0 002	1	..
Maha Vidarbha Sangharsha Samiti	2,999	0 022	1	..
Independents	11,63,368	8 56	91	..

MYSORE

Total electorate	1,37,89,683
Total votes polled	76,45,347
Percentage of votes polled	55

Party	Votes polled	Percentage of total valid votes polled	Seats contested	Seats won
Cong (R)	54,18,536	71 00	27	27
Cong (O)	12,51,255	16 40	17	—
Swatantra	2,79,610	3 60	5	—
Jana Sangh	1,45,531	1 90	2	—
SSP	79,111	1 04	1	—
CPI	6,914	0·08	1	—
PSP	97,301	1 28	5	—
CPI(M)	45,188	0 60	2	—
Independents	3,21,901	4 10	43	—

NAGALAND

Total electorate	2,75,459
Total votes polled	1,48,025
Percentage of votes polled	60 9

Party	Votes polled	Percentage of total valid votes polled	Seats contested	Seats won
United Front of Nagaland	89,514	60 5	1	1
Nagaland Nationalist Organisation	58,511	39 5	1	—

(Contd.)


देश के निर्माण कार्य में रत
खजुराहो ब्रान्ड
चेतक ब्रान्ड
SATNA CEMENT WORKS
BJM
KHAJURAHO
PORTLAND CEMENT
बिड़ला
की
सर्वोत्कृष्ट
सीमेन्ट
BIRLA CEMENT WORKS
BJM
CHETAK
PORTLAND CEMENT
सतना सीमेन्ट वर्क्स
सतना (मध्य प्रदेश)
बिड़ला सीमेन्ट वर्क्स
चित्तौड़गढ़ (राजस्थान)
प्रो० बिड़ला जूट मैन्यूफेक्चरिंग कं० लि०, कलकत्ता-१
(सीमेन्ट डिवीज़न)
KRISHNA-69

Fifth General Election, 1971

STATEWISE ANALYSIS OF LOK SABHA ELECTION RESULTS : 1971—(Contd.)

ORISSA

Total electorate	1,08,45,235
Total votes polled	46,84,801
Percentage of votes polled	43·2

Party	Votes polled	Percentage of total valid votes polled	Seats contested	Seats won
Cong (R)	17,15,987	38·4	19	15
Cong (O)	1,00,392	2·2	6	—
Swatantra	7,10,095	15·7	13	3
Jana Sangh	9,930	0·2	1	—
Utkal Congress	10,53,164	23·6	20	1
PSP	3,08,340	6·8	6	—
CPI	1,94,273	4·4	3	1
CPI(M)	45,703	1·0	1	—
Jharkhand	73,900	1·6	2	—
SSP	81,843	1·8	2	—
Jana Congress	60,103	1·3	2	—
Forward Bloc	22,956	0·5	1	—
Independents	87,294	1·9	9	—

PUNJAB

Total electorate	69,41,454
Total votes Polled	41,14,492
Percentage of votes polled	58·8

Party	Votes polled	Percentage of total valid votes polled	Seats contested	Seats won
Cong (R)	18,73,862	45.0	11	10
Cong(O)	1,86,895	4·5	4	—
Akali Dal	12,57,802	30·1	12	1
Jana Sangh	1,81,316	4·4	5	—
CPI	2,53,800	5·9	2	2
CPI(M)	89,643	2·2	3	—
SSP	29,331	0·7	3	—
RPI	18,095	0·4	2	—
PSP	2,899	0·07	1	—
Independents	1,83,343	4·5	39	—

RAJASTHAN

Total electorate	1,32,44,556
Total votes polled	71,58,079
Percentage of votes polled	54·04

Party	Votes polled	Percentage of total valid votes polled	Seats contested	Seats won
Cong (R)	34,86,774	50·35	23	14
Cong (O)	1,14,384	1·64	4	—
Swatantra	10,14,207	14·65	8	3
Jana Sangh	8,57,001	12·38	7	4
BKD	2,70,813	3·91	7	—
SSP	1,74,273	2·52	2	—
CPI	34,268	0·49	1	—
CPI(M)	45,546	0·66	3	—
B.H.P.	73,382	1·06	1	—
Independents	8,54,122	12·33	73	2

TAMIL NADU

Total electorate	2,30,64,985
Total votes polled	1,65,65,642
Percentage of votes polled	71·82

Party	Votes polled	Percentage of total valid votes polled	Seats contested	Seats won
Cong (R)	19,95,567	12·51	9	9
Cong (O)	48,53,534	30 43	29	1
Swatantra	14,79,693	9·28	9	..
Jana Sangh	3,944	0·02	1	..
CPI	8,66,399	5·43	4	4
CPI(M)	2,60,833	1·64	6	..
SSP	1,41,605	0·89	1	..
DMK	56,22,758	35·25	24	23
Forward Bloc	2,08,431	1·31	1	1
Independents	5,16,448	3·24	27	1

UTTAR PRADESH

Total electorate	4,56,96,235
Total votes polled	2,10,92,352
Percentage of votes polled	46·15

Party	Votes polled	Percentage of total valid votes polled	Seats contested	Seats won
Cong (R)	99,83,298	48 57	78	73
Cong (O)	17,65,147	8·58	44	1
Jana Sangh	25,24,227	12·28	37	4
Swatantra	9,568	0·05	3	—
SSP	8,42,868	4·10	25	—
CPI	7,60,886	3·70	9	4
PSP	47,334	0·23	7	—
CPI(M)	39,821	0·19	3	—
BKD	26,11,118	12·70	67	1
Independents & Others	19,72,222	9·60	270	2

WEST BENGAL

Total electorates	2,17,14,745
Total votes polled	1,37,42,351
Percentage of votes polled	63 29

Party	Votes polled	Percentage of total valid votes polled	Seats contested	Seats won
Cong(R)	35,98,695	27·33	31	13
Cong (O)	9,15,147	6·95	34	—
CPI(M)	44,85,805	34·21	38	20
CPI	13,80,813	10·30	15	3
Forward Bloc	3,53,179	2·68	10	—
PSP	1,68,119	1·28	3	1
SSP	1,12,189	0·85	4	—
Bangla Cong.	5,18,781	3·98	14	1
Jana Sangh	1,11,675	0·85	4	—
RSP	2,66,185	2·02	5	1
Muslim League	60,578	0·47	2	—
Independents & Others	11,95,504	9·09	3	1

(Contd.)

Fifth General Election, 1971

STATEWISE ANALYSIS OF LOK SABHA ELECTION RESULTS : 1971—(Contd.)

Union Territories

ANDAMAN & NICOBAR ISLANDS

Total electorate 63,122
Total votes polled 44,525
Percentage of votes polled 70·05

Party	Votes polled	Percentage of total valid votes polled	Seats contested	Seats won
Cong (R)	27,373	61·5	1	1
Independents	17,152	38·5	4	—

CHANDIGARH

Total electorate 1,16,500
Total votes polled 73,418
Percentage of votes polled 63 02

Party	Votes polled	Percentage of total valid votes polled	Seats contested	Seats won
Cong (R)	48,335	66·85	1	1
Jana Sangh	16,854	23 31	1	—
Independents	7,113	9 84	2	—

DADRA AND NAGAR HAVELI

Total electorate 33,012
Total votes polled 23,047
Percentage of votes polled 69 6

Party	Votes polled	Percentage of total valid votes polled	Seats contested	Seats won
Cong (R)	8,484	39·1	1	1
Cong (O)	7,138	32·9	1	—
CPI(M)	6,036	27 5	1	—

DELHI

Total electorate 20,20,396
Total votes polled 13,14,480
Percentage of votes polled 65·1

Party	Votes polled	Percentage of total valid votes polled	Seats contested	Seats won
Cong (R)	8,35,673	64 4	7	7
Cong (O)	21,398	1·6	5	—
Jana Sangh	3,83,792	29·3	7	—
Swatantra	1,279	0·1	1	—
PSP	1,188	0 1	2	—
SSP	1,405	0·2	2	—
Independents	53,149	4·1	40	—

GOA, DAMAN AND DIU

Total electorate 4,35,168
Total votes polled 2,35,105
Percentage of votes polled 50·60

Party	Votes polled	Percentage of total valid votes polled	Seats contested	Seats won
Cong (R)	58,873	25·1	2	1
United Goans	58,401	24·9	1	1
Cong (O)	1,782	0·7	1	—
Independents	50,566	21·5	5	—
Loka Paksha	2,853	1·2	2	—
MG	54,597	23·2	1	—
MG (Rebel Group)	8,033	3·4	1	—

LACCADIVE, MINICOY AND AMINDIVI ISLANDS

Total electorate 15,072
Total votes polled —

Party	Votes polled	Percentage of total valid votes polled	Seats contested	Seats won
Cong (R)	ELECTED UNCONTESTED			

MANIPUR

Total electorate 5,43,407
Total votes polled 2,65,495
Percentage of votes polled 48·8

Party	Votes polled	Percentage of total valid votes polled	Seats contested	Seats won
Cong (R)	77,974	30·00	2	2
Cong (O)	23,412	9·1	2	—
Independents	1,06,341	40·9	5	—
SSP	13,134	5·1	1	—
CPI	38,900	14·9	1	—

PONDICHERRY

Total electorate 2,46,789
Total votes polled 1,72,992
Percentage of votes polled 70

Party	Votes polled	Percentage of total valid votes polled	Seats contested	Seats wou
Cong (R)	1,12,714	66·3	1	1
Cong (O)	47,550	27·9	1	—
Independents	9,824	5·7	2	—

TRIPURA

Total electorate 7,03,536
Total votes polled 4,21,470
Percentage of votes polled 59·9

Party	Votes polled	Percentage of total valid votes polled	Seats contested	Seats won
Cong (R)	1,49,776	36·3	2	—
Independents	53,392	12·9	2	—
CPI	27,899	6·7	2	—
CPI (M)	1,79,456	43·5	2	2
Jana Sangh	2,038	0·4	1	—

NEW PARLIAMENT

Government Sets Its Sights

THE MID-TERM poll has indeed brought about a sea-change in the complexion of the Lok Sabha. With three of the 518 elected seats yet to be filled—one owing to the election being contermanded because of the death of a candidate and two due to the election being postponed because of inclement weather—the Congress (R) has now 350 members in this House, as against only 221 in the dissolved Lok Sabha. The total strength of the House is 521; three members are to be nominated.* The Congress(R), thus, has a clear two-thirds majority which is necessary for seeing an amendment of the Constitution through. It will, therefore, no longer have to depend on any opposition vote in this House for amending the Constitution.

In the Rajya Sabha too, the position of Congress(R) is expected to improve in the near future. Two Congress(O) members in this House have already joined the Congress(R). Another Congress (O) member has left the party and now sits as an independent member. The expectation is that this member too will soon join the treasury benches. Still another two Congress (O) members of this House have been elected to the Lok Sabha. Whether their places will be taken up by some others from this party, it is difficult to say at present. As a result of this change in the composition of the Rajya Sabha, the Congress (R) should be able to see a constitutional amendment through in this House too, of course, with assistance from its allies and some independents. The crucial constitutional amendment seeking to abolish the privy purses and the special privileges of the rulers of the erstwhile princely states, it may be recalled, fell through in the Rajya Sabha in December last by one-third vote.

Nominal Opposition

The accretion to the Congress (R) strength in the Lok Sabha has been at the expense of not only the four-party alliance of Congress (O), the Jana Sangh, the Swatantra Party and the Samyukata Socialist Party (SSP), but also at the cost of the Bharatiya Kranti Dal (BKD), the Praja Socialist Party (PSP), the smaller regional groups like the Akali Dal and independents. In the new House, the strength of the Congress (O) has been depleted from 65 members to a bare 16. The Swatantra Party, which had 35 members in the dissolved House, has only eight members in the new House. The strength of the Jana Sangh has been reduced from 33 to 22 members. The SSP has now only three members in the Lok Sabha, as against 17 in the dissolved House. The four-party alliance has, thus lost as many as 101 seats in the Lok Sabha—they held 150 seats in the dissolved House and their present strength is just 49 members.

The setback to the BKD and the PSP has been equally severe. The BKD is now represented in the Lok Sabha by a solitary member, as against 10 members in the dissolved House. The PSP has lost 13 members out of the 15 it had in the previous Lok Sabha. The strength of independents and small regional parties too has been reduced from 60 to 42 members.

The Communist Party of India (CPI) has lost one seat; its present strength is 23 members, as against 24 members in the dissolved House. The Dravida Munnetra Kazhagam (DMK) has also lost one seat; it has now 23 members in the House, as againt 24 in the dissolved Lok Sabha. The only all-India party other than the Congress (R) which has been returned in greater strength is the Communist Party-Marxist [CPI(M)]. It had 19 members in the dissolved House. Its strength in the new Lok Sabha is 25 members

With no opposition party being able to secure in the mid-term poll one-tenth of the total seats in the Lok Sabha, there will be no recognised opposition party in the House. The Congress (O) had the honour of being the recognised opposition party in the dissolved Lok Sabha. Its leader was recognised as the leader of the opposition. The CPI(M) having the largest contingent of members among the opposition parties now, is the leading opposition group. Its leader, Mr A.K. Gopalan, will now be having the honour of initiating discussions from the opposition benches, the task which used to be performed by Dr Ram Subhag Singh in the dissolved House after the split in the Congress in 1969 and earlier by the leader of the Swatantra group, Prof. N.G. Ranga.

With the defeat of the leaders of the Congress(O) (Dr Ram Subhag Singh), the Swatantra Party (Prof. N.G. Ranga), the SSP (Mr Madhu Limaye), the PSP (Mr S.N. Dwivedi) and the BKD (Mr Prakash Vir Shastri), all these parties now have new leaders in the Lok Sabha. Mr S.N. Mishra, the leader of the Congress (O) in the Rajya Sabha before the mid-tem poll, who has been elected to the Lower House, has taken the place of Dr Ram Subhag Singh. Mr P.K. Deo is the new leader of the Swatantra group and Mr Ram Dev of the SSP. The leadership of the Congress (R) in the Lok Sabha remains with the Prime Minister, Mrs Indira Gandhi. So also of the Jana Sangh with Mr. A.B. Vajpayee, of CPI(M) with Mr A.K. Gopalan, of CPI with Mr Inderjit Gupta and of DMK with Mr K. Manoharan.

In the Rajya Sabha, there has been a change in the leadership of the Congress(O); Mr S.N. Mishra's place has been taken by Mr M.S. Gurupadaswamy. The leaders of the other parties and groups remain the same—Mr K. K. Shah of Congress (R), Mr Dahyabhai Patel of Swatantra, Mr Pitamber Pant of the Jana Sangh, Mr Bhupesh Gupta of the CPI, Mr Gure Murhari of the SSP, Mr Niren Ghosh of the CPI(M), Mr T. Villalan of the DMK and Mr Mulka Govinda Reddy of the PSP.

Mr Morarji Desai continues to be the chairman of the Congress (O) Party in the two Houses.

STRENGTH OF VARIOUS PARTIES IN LOK SABHA.

	Dissolved House	New House
Congress (R)	221	350
Congress (O)	65	16
Swatantra Party	35	8
Jana Sangh	33	22
CPI	24	23
DMK	24	23
CPI(M)	19	25
SSP	17	3
PSP	15	2
BKD	10	1
Independents and others	60	42
Total	523	515*

* The total strength of the new Lok Sabha is 521. Two seats have been reduced as a result of the grant of statehood to Himachal Pradesh. Three elected seats are yet to be filled. Three other members are to be nominated.

*Of these, one — Mr Frank Anthony — has been nominated since the writing of this article to represent the Anglo-Indian community.

The opposition in the Lok Sabha has not only been vastly reduced in strength, it has also suffered a sizable setback in talent. Particularly missed on the opposition benches will be the Congress (O) members Dr Ram Subhag Singh, Mr Asoka Mehta, Mrs Sucheta Kripalani, Mrs Tarakeshwari Sinha and Mr S.K. Patil; the Swatantra members Prof. N.G. Ranga, Mr M.R. Masani, Mr N. Dandekar, Mr D.N. Patodia and Mr S.K. Tapuriah; the Jana Sangh spokesmen Mr Kanwar Lal Gupta and Mr Balraj Madhok; the SSP representatives Mr Madhu Limaye and Mr George Fernandes; the PSP members Mr S.N. Dwivedi and (late) Mr Nath Pai; the CPI leader Mr S.A. Dange; the CPI(M) member Mr P. Ramamurthi; and the BKD leader Mr Prakash Vir Shastri. Most of these' especially, Mr Nath Pai, Mr Madhu Limaye, Mr Asoka Mehta and Mr M.R. Masani, could raise the level of any debate tremendously and Mr Asoka Mehta, Mr Masani, Mr Dandekar, Mr Patodia, Mr Tapuriah, Mr Kanwar Lal Gupta, among others, contributed a good deal to the debates on economic issues.

To complete the picture of the new Parliament, it would be appropriate to make a mention here of the changes effected by the Prime Minister in her Council of Ministers. As many as eight Cabinet Ministers, six Ministers of State and 10 Deputy Ministers of the previous Council of Ministers do not figure in the new list. They are.

(1) **Cabinet Ministers**: Mr S.N. Sinha, Mr G.L. Nanda, Dr Triguna Sen, Dr V.K.R.V. Rao, Mr K. Raghuramiah, Mr D. Sanjivaya, Mr B.R. Bhagat and Mr Dinesh Singh.

(2) **Ministers of State**: Mr Bhakt Darshan, Mr N.S. Mahida, Mr Parimal Ghosh, Mr B.S. Murthy, Mr Bhagwat Jha Azad and Mr Jaganath Rao.

(3) **Deputy Ministers**: Mr S. C. Jamir, Chaudhury Ram Sevak, Mr M. R. Krishna, Mr Bishwanath Roy, Mr P. Parthasarthy Mr R.S. Panjhazari, Mr Iqbal Singh, Mr Bhanu Prakash Singh, Mr R.L. Chaturvedi, and Mr Mohd. Yunus Saleem.

New-Look Cabinet

From among the dropped Cabinet Ministers, Mr S.N. Sinha has taken over as Governor of Madhya Pradesh. All the others are members of either House. Mr D. Sanjivaya has assumed the office of the Congress (R) President.

Two of the dropped Ministers of State, Mr N.S. Mahida and Mr Parimal Ghosh were defeated at the polls. Mr Bhakt Darshan did not contest. The other three are still the members of either House.

Five of the dropped Deputy Ministers too lost in the election. They are Mr S.C. Jamir, Mr M.R. Krishna, Mr Iqbal Singh Mr Mohd. Yunus Saleem and Mr Bhanu Prakash Singh. Mr Bhanu Prakash Singh in fact, had left the Council of Ministers before the dissolution of the previous Lok Sabha following his resignation from the Congress (R). He fought the mid-term poll on the Jana Sangh ticket.

Five new Cabinet Ministers have been inducted into the Council of Ministers. They are Mr Raj Bahadur. Mr Moinul Huq Chaudhury. Mr Sidharatha Shankar Ray, Mr H.R. Gokhale and Mr Mohan Kumaramangalam.

A good deal of reshuffling has taken place in the portfolios of ministers. In addition to her previous charge of Home Affairs, Atomic Energy and Planning, the Prime Minister has taken over the portfolio of Information and Broadcasting which was held by Mr S.N. Sinha. Mr Raj Bahadur has taken over the portfolios of Parliamentary Affairs, Shipping and Transport, replacing Mr K Raghuramiah, Mr Moinul Huq Chaudhury has replaced Mr Dinesh Singh as the Minister for Industrial Development and Internal Trade, Mr Sidhartha Shankar Ray has replaced Dr V.K.R.V. Rao as the Minister for Education. Mr Mohan Kumaramanglam has taken over the Ministry of Steel and Heavy Engineering, replacing Mr B.R. Bhagat. Mr H.R. Gokhale has got the portfolio of Law and Justice, which was previously held by Mr K. Hanumanthaiya. Mr Hanumanthaiya has gone over to Ministry of Railways which was previously headed by Mr G.L. Nanda. The Department of Social Welfare which also formed the charge of Mr Hanumanthaiya before the dissolution of the previous Lok Sabha has gone over to Mr Sidharatha Shankar Ray. There is no mention of youth services in the new list of portfolios which specifically formed a department of the Ministry of Education previously.

In addition to the portfolios of Irrigation and Power Foreign Trade and Company Affairs which continue uncharged in the independent charge of the ministers of State, Dr K.L.Rao, Mr L.N. Mishra and Mr K.V. Raghunath Reddy, three new ministries have now been put in the independent hands of Ministers of State. These are: (1) the Ministry of Labour, Employment and Rehabilitation; (ii) the Ministry of Works, Housing the Urban Development; and (iii) the Ministry of Communication. The Labour, Employment and Rehabilitation Ministry was headed by Mr D. Sanjivaya as Cabinet Minister. It is now headed by Mr R.K. Khadilkar as Minister of State. The Works, Housing and Urban Develo0ment Ministry was in the charge of Mr K.K. Shah along with the Ministry of Health and Family Planning. It has been put under the independent charge of the Minister of State, Mr I.K. Gujral. Mr K.K. Shah retains the Ministry of Health & Family Planning. The Ministry of Communication which was in the charge of Mr S.N. Sinha along with the Ministry of Information and Broadcasting is now inde-

pendently held by Mr Sher Singh who was looking after it earlier as Minister of State under the guidance of Mr S.N. Sinha. The Ministry of Supply, which before the election was in the independent charge of Mr R.K. Khadilkar, has now been put in the hands of Mr Jagannath Pahadia, Deputy Minister, who is to take guidance from the Minister for Industrial Development and Internal Trade, Mr Moinul Huq Chaudhury.

The following ministers retain their portfolios;

(a) **Cabinet Ministers**: (i) Mr Jagjivan Ram (Defence); (ii) Mr Y.B. Chavan (Finance); (iii) Mr F.A. Ahmed (Food and Agriculture, Community Development and Co-operation); (iv) Mr Swaran Singh (External Affairs), (v) Dr Karan Singh (Civil Aviation and Tourism).

(b) **Ministers of State**: (i) Dr K.L. Rao (Irrigation and Power); (ii) Mr L.N. Mishra (Foreign Trade); (iii) Mr Sher Singh (Communication); (iv) Mr K.V. Raghunatha Reddy (Company Affairs); (v) Mr D.R. Chavan (Petroleum and Chemicals); (vi) Mr Niti Raj Singh Chaudhary (Non-ferrous Metals); (vii) Mr K.C. Pant (Home Affairs, Electronics, Atomic Energy, with the addition of the Department of Science and Technology detached from the Ministry of Education); (viii) Mr R.N. Mirdha (Home Affairs and Department of Personnel); (ix) Mr Om Mehta (Parliamentary Affairs); (x) Mr P.C. Sethi (Defence Prodution); (xi) Mr Anna Sahib P. Shinde (Food and Agriculture) and (xii) Mr V.C. Shukla (Finance).

Deputy Ministers: (i) Mr K.R. Ganesh (Finance) (ii) Dr Sarojini Mahishi (Civil Aviation and Tourism); (iii) Mr Mohd. Shafi Qureshi (Steel and Heavy Engineering); (iv) Mr K.S.G. Ramaswamy (Home Affairs); (v) Mr Siddheshwar Prasad (Irrigation and Power); and (vi) Mr Surendra Pal Singh (External Affairs).

Mrs Nandani Satpathy, Minister of State to the Prime Minister, has gone over to the Ministry of Information and Broadcasting. Mr A.K. Kisku and Mr Jagannath Pahadia, both Deputy Ministers have been shifted to the Ministry of Health and Family Planning and Ministry of Supply from the Ministry of Education and Youth Services and Ministry of Food and Agriculture, Community Development and Co-operation, respectively.

No minister of cabinet rank has yet been appointed to head the Ministry of Petroleum, Chemicals, Mines and Metals (now known as the Ministry of Petroleum, Chemicals and Non-ferrous Metals). Mr Sidharatha Shankar Ray is also looking after the Department of Culture at present in the absence of any other minister to look after it. The Presidential order stating the allocation of business in the different ministries and departments has not been issued. This has particularly affected the work in the Department of Mines and Metals. Non-ferrous metals are being looked after by Mr Niti Raj Singh. Who is specifically in charge of iron ore, manganese and coal mining, it has not yet been clarified.

The reconstituted Lok Sabha assembled for its first session on March 19. The formal inauguration of the House, however, took place on March 23 when the Rajya Sabha also assembled in a joint session with the Lower House to hear the customary Presidential address which outlines the programme of the government for the session. The period between March 19 and 23 was utilised by the Lok Sabha for the administration of oath to the elected members and for the election of the Speaker. Following the healthy precendent of re-electing the previous incumbant to the office of Speaker if he is returned by the electorate to the House, Mr G.S. Dhillon has been duly installed in the Speaker's chair. Mr G.G. Swell has, similarly, been elected as the Deputy Speaker.

Outlining the new government's policy, President Giri in his address to the joint session of the two Houses (see full text in Annexure 1) mostly repeated what the ruling party had said in its election manifesto. "The government", he indicated, "will soon frame specific policies and programmes arising out of the mandate of the electorate".

Priorities Listed

Among the pressing problems which needed to be tackled on a priority basis, the President listed the following: (i) the unemployment problem, (ii) the land reforms issue, (iii) the amelioration of the misery of the poor, (iv) the raising of production both in the industrial and the agricultural sectors, and (v) the curbing of violence and communal tendencies.

The President hinted that a mid-term appraisal of the fourth Plan would be made soon to enable the government to reorientate it with a view to raising the pace of investment in the economy as well as for reinforcing the Plan in order to contain unemployment.. (With the resignation of the Deputy Chairman and the members of the Planning Commission, the mid-term appraisal of the fourth Plan probably will have to await the reconstitution of the Commission).

Dwelling at some length on the unemployment problem, the President observed that the crash scheme for rural employment which is to be implemented with the commencement of the financial year 1971-72, would form the nucleus of a comprehensive programme for the expansion of employment. The programme would be linked to schemes for raising the productivity of agriculture. It would, thus, include construction and renovation of minor irrigation sources, provision of link roads to villages and making available of basic amenities such as drinking water supply. The problem of the educated unemployed, the President stressed, would also receive special attention.

In regard to land reforms, the President indicated that since this subject fell within the legislative competence of state governments, the union government could only press the state governments for action with a view to promoting a more equitable agrarian structure. The states would be asked to undertake further legislation to give security of tenure, to reduce rents and ceilings and to restrict exemptions. The union government, the President declared, would also pursue the objective of imposing a ceiling on urban property.

The opening of new vistas of employment and promoting of a more equitable agrarian structure should help in the amelioration of the misery of the poor. But certain other specific steps were also hinted by the President with this end in view. The more important among these are: (i) extension of credit facilities for productive purposes to areas and classes hitherto neglected; (ii) extension, on a priority basis, of electricity to rural areas, particularly for lift irrigation, and (iii) clearance and improvement of slums.

Five steps were enumerated by the President for raising production. These were: (i) appointment of task forces to remove obstacles that come in the way of the speedy implementation of investment programmes, both in the public and the private sectors of industry; (ii) extension of new technology in agriculture to dry farming and to new crops and areas which have not been covered so far; (iii) holding of consultations with the leaders of trade unions and managements in order to evolve sound industrial relations and to

secure productivity consistent with a fair deal for labour; (iv) accelerating of changes in the structure and functioning of administrative apparatus with a view to expediting decision making, ensuring effective delegation of powers and responsibilities and for streamlining financial procedures; and (v) devoting of special attention to building up of a well-equipped managerial cadre for both the public and the private sectors.

The President also indicated that a national plan for the application of science and technology for development would be drawn up and executed by the new government. He made a special mention in this regard to the setting up of the Electronics Commission to ensure balanced development of the electronics industry which can foster the development of the entire economy in a big way.

Referring to violence and communal tension in some parts of the country, the President expressed the government's determination to overcome the two evils and reiterated that lawlessness and politics of murder and assault would be rooted out. He felt heartened that the conduct and the results of the recent election in West Bengal had clearly indicated a reaffirmation by the people of their faith in democracy.

In the field of external relations, the President noted with concern the setting up of military bases by outside powers in the Indian Ocean and the proposed sale of arms by Britain to South Africa. "As mentioned in the Lusaka declaration", he said, "we should like the Indian Ocean area to be a zone of peace, free from military confrontation and rivalries of great powers."

The President also expressed concern at the deterioration in the situation in Indo-China and expressed the view that the best solution to this problem would be an international agreement or convention signed by all the great powers and others interested in the region.

The President welcomed the recent agreement between the Federal Republic of Germany and the governments of the USSR and Poland. He expressed great resentment at the attitude of the Government of Pakistan during the recent hijacking of an Indian Airlines' plane and its eventual destruction.

Referring to the West Asian situation, the President hoped that a positive response would be made to the series of initiatives recently taken by the UAR showing its earnest desire to implement the November 22, 1967, resolution of the Security Council. The President reaffirmed the union government's resolve to steadfastly pursue the policy of non-alignment.

Another important announcement made by the President was that the government's determination to abolish the privy purses and special privileges of the rulers of erstwhile princely

states through appropriate constitutional means remained unaltered.

Both the general and the railway interim budgets for 1971-72 (see Pp. 599, 600), which have been presented to Parliament because of not enough time being available for drawing up full-fledged budgets, envisage sizable deficits at the existing rates of taxation, passenger fares and freight rates. Regular budgets are proposed to be presented in May.

The Finance Minister, Mr Y.B. Chavan, indicated (see Annexure II) that at the existing rates of taxation, the revenue budget for 1971-72 would show a surplus of Rs 114 crores. But since the capital account was expected to show a deficit of Rs 354 crores, there would be an overall deficit of Rs 240 crores. The overall deficit can be expected to increase as the government proposes to step up the Plan expenditure substantially; the current estimates provide for higher assistance for state Plans but keep the central Plan proper at the same level as in the budget for 1970-71. It was in this context that the Finance Minister observed that with a view to containing the overall budgetary deficit, "the task of widening and deepening the resources base will have to continue".

Decline in Foreign Aid

At the existing rates of taxation, the total tax revenue in 1971-72, Mr Chavan indicated, would be Rs 3,403 crores, of which the share of the states would be Rs 850 crores. The non-tax revenue, excluding food aid and PL 480 revenue grants, was expected by him to increase from Rs 908 crores this year (1970-71) to Rs 966 crores next year (1971-72). While receipts under market loans and small savings would show an increase, receipts under external assistance were expected to show a significant decline from Rs 518 crores this year to Rs 421 crores next year. The major part of decline, the Finance Minister said, was accounted for by receipts under PL 480. The next receipts from non-project and project assistance, he indicated, were also likely to decline from Rs 355 crores in the revised estimates for 1970-71 to Rs 324 crores next year.

On the expenditure side, the normal administrative expenditure, Mr Chavan said, would show next year an increase of Rs 15 crores over the current year's level. An additional provision of Rs 65 crores was being made for expenditure on defence, both revenue and capital, as compared to the budget provision for 1970-71. The provision of Rs 50 crores for employment-oriented schemes was for the time being treated as outside the Plan. Excluding this, the provision for the Plan in the next year's budget would be Rs 1,980 crores, representing an increase of Rs 74 crores over the budget estimate for the current year. This entire increase was by way of Plan assistance to state governments and the union territories the provision for which was being increased from Rs 711 crores in 1970-71 to Rs 785 crores in 1971-72. The provision of Rs 1,196 crores for the central Plan was at the same level as the budget for the 1970-71 year, though in relation to the likely expenditure, the interim provision would represent a significant increase. The central Plan provision is expected to be stepped up substantially when the full budget is presented in May.

The revised estimates for 1970-71, indicate that this year would close with an overall deficit of nearly Rs 230 crores, as against the budget estimate of Rs 227 crores. This is despite the fact that the tax revenues, particularly revenues from income and corporate taxes, are expected to show some improvement over the budget estimates. The revised estimate for 1970-71 puts the total tax revenue at Rs 3,198 crores, as against the budget estimate of Rs 3134 crores. There is also expected some improvement in the non-tax revenue but the increase in the revenue receipts are expected to be offset by a reduction of about Rs 26 crores on the market loans and nearly Rs 50 crores under external assistance. The non-Plan expenditure is expected to show a sizable increase whereas the contribution of public sector enterprises to the budget is expected to be much lower than anticipated. The loans to some of these enterprises for meeting their cash loss and working expenses were also expected by the Finance Minister to be Rs 30 crores larger than what was provided in the 1970-71 budget.

Mr Chavan expressed disappointment on two specific counts. The first was the continuing large overdrafts by the states with the Reserve Bank despite the special accommodation given to them. The second was the significant shortfall in Plan outlays in the last two years. He said that many of the industrial projects in the central Plan notably the Bokaro steel plant, the fertilizer plants and the petrochemical complex had not been able to get into stride as rapidly as was expected.

The President in his address to the joint session of the two Houses and the Finance Minister expressed satisfaction that food output in the 1970-71 agricultural year would show an improvement of 5.5 million tonnes over the last year. This would help in arresting the uptrend in prices. They expected the industrial production in 1970-71 to increase by about six per cent over the previous year and observed that much remained to be done in this field. Mr Chavan also cautioned that the production of industrial raw materials too would have to be stepped up substantially. He indicated a larger role for joint ventures in the industrial sector.

Mr Chavan expressed disquiet over the price situation in general (although food prices, he pointed out, had started

(Over to page 603)

GENERAL BUDGET AT A GLANCE

Revenue Account

(In crores of rupees)

RECEIPTS	Budget 1970-71	Revised 1970-71	Budget 1971-72
1. *Tax Revenue*			
Customs Duties	465 00	487 62	480 00
Union Excise Duties	1812 75	1805 24	1951 17
Corporation Tax	342 00	365 00	395 00
Taxes on Income	436 75	460 00	480 00
Estate Duty	7 50	7 00	7 00
Wealth Tax	18 00	16 00	30 00
Other Taxes and Duties	52 13	56 64	59 95
TOTAL	3134 13	3197 50	3403 12
2. *Non-tax Revenue*			
Debt Services	611 27	630 12	662·47
Currency and Mint	98 07	99 36	124 24
Other non-tax Revenue*	190 41	219 88	203 91
TOTAL	899 75	949 36	990 62
3. *Total Gross Revenue*	4033 88	4146 86	4393 74
4 *Less—States' Shares*			
Union Excise Duties	388 42	390 04	422 85
Taxes on Income	348 30	359 09	420 77
Estate Duty	7 17	6 30	6 70
TOTAL	743 89	755 43	850 32
5. *Net—Centre's Revenue*	3289 99	3391 43	3543 42

*Includes PL 480 grants and food aid amounting to Rs 41 crores in RE 1970-71 and Rs 24 crores in BE 1971-72

Capital Account

(In crores of rupees)

RECEIPTS	Budget 1970-71	Revised 1970-71	Budget 1971-72
1. *Market Loan*			
Gross Borrowings	455 00	427 59*	500 00
Less—Repayments	239 30	291 30	332 10
Net Borrowing	161 70	136 29	167 90
2. *External Aid* (*Other than P L* 480			
Gross Borrowings	600 00	550 00	540.00
Less—Repayments	200 25	195 46	216·23
Net Borrowing	399 75	354 54	323 77
3. *P L* 480 *Aid*			
Dollar Credit	84 00	81 37	74 00
Rupee Loans	35 00	50 00	12 00
P L 480 Deposits (net)	13 27	(—)9 59	(—)13 04
TOTAL	132 27	121 78	72 96
4. Repayments of loans and advances	825 00	930 00	930 00
5. *Other Items (net)*			
(*i*) Small Savings	140 20	145 30	155·40
(*ii*) Other Receipts	164 79	416 96	299 56
TOTAL—CAPITAL RECEIPTS	1823 71	2104 87	1949 59

*Excludes Rs 75 crores of ad hoc treasury bills converted into dated securities.

GENERAL BUDGET AT A GLANCE—*Contd*

Revenue Account

(In crores of rupees)

DISBURSEMENTS	Budget 1970-71	Revised 1970-71	Budget 1971-72
1. *Civil Expenditure*			
Collection of Taxes and Duties	48 55	48·08	50·88
Debt Services	597 48	603·91	648·39
Administrative Services	189 70	200 93	230 66
Social and Developmental Services	319 85	313 72	360 62
Multi-purpose River Schemes, etc.	14·56	15 17	20 43
Public Works, etc.	42 63	39·80	42 71
Transport and Communications	20 80	21 60	21 62
Currency and Mint	26 00	26 92	28·35
Miscellaneous	221 26	234 30	223·13
Contributions and Miscellaneous Adjustments*	10 77	13 07	13 45
Extraordinary Items	6 64	6·60	6·62
TOTAL—Civil Expenditure	1498 24	1524 10	1646 86
2. *Defence Expenditure (Net)*	1017 84	1039 89	1079 23
3 Grants-in-aid to States and Union Territories with Legislature	636 10	629·30	703 13
TOTAL£	3152 18	3193 29	3429 22
Surplus on Revenue Account	137 81	198 14	114 20

*Excludes grants-in-aid to States and Union Territories with Legislature shown separately.
£Includes a Plan provision of Rs 494 crores in Budget Estimates 1971-72 as against Rs 43 7 crores in the Revised Estimates for 1970-71.

Capital Account

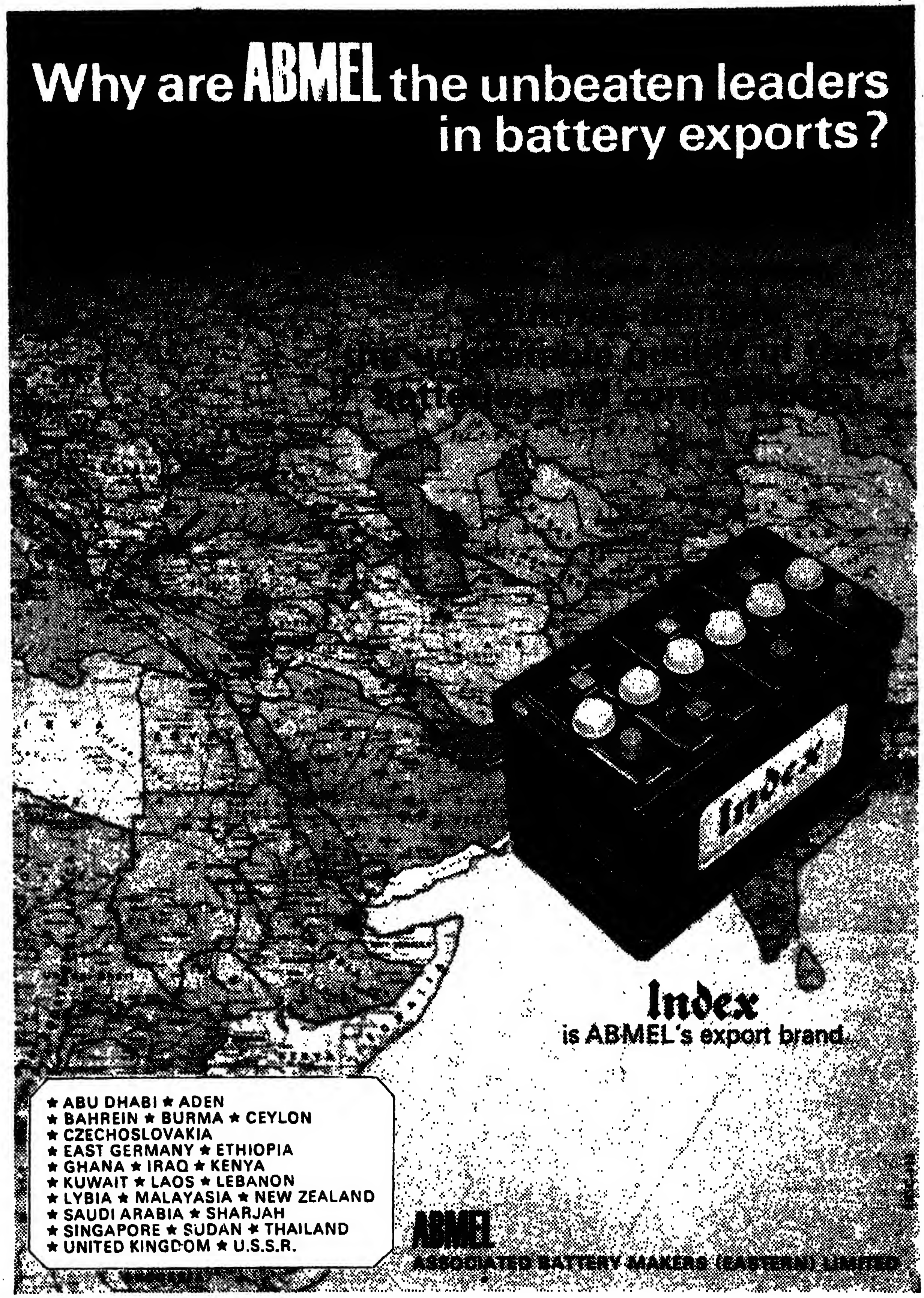
(In crores of rupees)

DISBURSEMENTS	Budget 1970-71	Revised 1970-71	Budget 1971-72
A. CIVIL EXPENDITURE			
1. Social and Developmental Services	348 87	322 30	318 53
2. Multi-purpose River Schemes, etc	71 25	59 40	59 17
3. Public Works, etc	92 64	79 85	90 78
4 Transport and Communications	28 71	23 32	30 31
5 Currency and Mint	12 03	184 28	9 05
6. Miscellaneous	(—)29 15	14 88	(—)14 42
TOTAL—CIVIL EXPENDITURE	524 35	684 03	393 42
B. Posts and Telegraphs	35 00	15 80	27 60
C Railway Capital Outlay	150 00	126 10	151 00
D. Defence Capital Outlay	133 67	142 94	162 43
E. Loans and Advances—			
1 States and Union Territories	878 25	1039 49	948 48
2. Others	467 19	524 22	621 16
TOTAL LOANS AND ADVANCES	1345 44	1563 71	1569 64
TOTAL—CAPITAL DISBURSEMENTS	2188 46	2532 58	2304 09
Deficit on Capital Account	364 75	427 71	354 50
Overall Deficit	226.94	229 57	240 30

RAILWAY BUDGET AT A GLANCE

(In crores of rupees)

	Actuals 1969-70	Modified budget estimates 1970-71 (as passed)	Revised estimate 1970-71	Budget estimate 1971-72
Gross Traffic Receipts	951.28	1,009.00	1,004.00	1,044.00
Ordinary Revenue Working Expenses (Net) i.e. after taking credit for recoveries	684 94	700.99	731.76	765.44
Appropriation to Depreciation Reserve Fund from Revenue	95.00	100.00	100.00	105.00
Appropriation to Pension Fund	10.00	15.00	15.00	15 00
Net Miscellaneous Expenditure including cost of Works charged to Revenue)	14.78	16.54	15.12	17.91
Total	804.72	832.53	861.88	903.35
Net Railway Revenue	146.56	176.47	142.12	140.65
Dividend to General Revenues	156.39	167.09	165.81	173.77
Net Surplus (+)/Shortfall (—)	—9.83	+9.38	—23.69	—33.12
Operating Ratio	83.0%	80.9%	84.3%	84.8%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★ KUWAIT ★ LAOS ★ LEBANON
★ LYBIA ★ MALAYASIA ★ NEW ZEALAND
★ SAUDI ARABIA ★ SHARJAH
★ SINGAPORE ★ SUDAN ★ THAILAND
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coming down) and stressed that "vigorous measures" would have to be taken to ensure stability. He hinted at an "active policy of restraint on wages and incomes" since without this "we cannot avoid a price spiral".

As regards balance of payments, Mr Chavan mentioned our fulfilment of obligations to the International Monetary Fund but added that "there is no room for complacency" because of little improvement in the reserves position. "Much greater and continuing effort on a wide front would also be necessary if the target of seven per cent per annum increase in export earnings set in the fourth Plan is to be realised year after year," he stressed.

Mr Chavan also spoke of the measures being taken to contain unemployment. His observations in this regard were practically on the same lines as those of the President in his address to the joint session of the two Houses.

Railways : Disquieting Trends

The interim budget of railways revealed equally disquieting trends. The 1971-72 deficit at the current passenger fares and freight rates is expected to be as large as Rs 33.12 crores. A rise in passenger fares as well as freight rates, therefore, can be expected in May when the regular budget is presented.

With a view to meeting its liability of dividend to the general revenues the Railway Minister, Mr K. Hanumanthaiya, indicated (see Annexure III) that the railways would have to raise a loan from the central exchequer. A fresh loan would also have to be raised for meeting developmental expenditure. At the end of 1971-72 the total indebtedness of railways to the general revenue, the Minister estimated, would go up to as much as Rs 153.60 crores.

At the existing levels of passenger fares and freight rates the gross receipts of railways in 1971-72 are estimated at Rs 1,044 crores — Rs 40 crores more than in 1970-71. The revenue expenditure is estimated at Rs 903.35 crores. The dividend to general revenue will have to be raised to Rs 173.77 crores due to increase in the capital-at-charge.

The poor performance of railways in 1970-71 is clear from the fact that the revised estimates from the year show a deficit in the budget as against a surplus. The original estimates for 1970-71 forecast a surplus of Rs 22.38 crores. When some proposals were dropped by the then Railway Minister Mr G.L. Nanda, the deficit amounted to Rs 9.38 crores. Now there is expected to be a shortfall of Rs 23.09 crores.

Most of the losses of the railways, Mr Hanumanthaiya stressed, were due to a significant drop in goods traffic (though the passenger traffic had shown an improvement), the unsatisfactory law and order situation and the mounting costs. The railways, he pointed out, had no control over several factors affecting their operations. He, however, pointed out that they, on their part were doing whatever was possible to improve their financial position. They were making concerted efforts to attract high-rated traffic and for effecting savings in expenditure.

The two interim budgets were adopted by the two Houses after brief debates. Votes-on-account were passed for four months.

Annexure I

Text of President Giri's Address

Members of Parliament,

It gives me pleasure to address this joint session of the fifth Parliament of our republic and summon you to new endeavours.

The general election has once again demonstrated that durable political power in a democracy has only one source—the people. It has proved the people's confidence in themselves and their faith in the processes of democracy.

Our people have made their choice. They have asserted their sovereignty through the ballot box. And theirs is massive mandate for change, peaceful change that must swiftly and visibly alter the picture of poverty and alienation in our land.

We have begun this work. But now we have to address ourselves afresh to evolving perspectives, policies and practices even more closely and concretely related to the needs of our people and our times.

My government has been returned to office on the clear pledge that the central objective of our policy must be the abolition of poverty. To achieve this, my government is firmly committed to implementing the economic and social transformation outlined in the manifesto which has received such overwhelming support of the electorate.

The government will soon frame specific policies and programmes arising out of the mandate of the electorate. A mid-term appraisal of the fourth Plan will be made. This appraisal will enable us to review and reorient the Plan in order to increase the pace and effective use of investment in the economy. As part of this exercise, government will also identify the specific directions in which developmental programmes could be further reinforced in a determined effort to deal with the problem of unemployment. The crash scheme for rural employment which is to be implemented from the commencement of the next financial year will form the nucleus of a comprehensive programme for the expansion of employment. This programme will be linked to schemes for raising the productivity of agriculture. The construction and renovation of minor irrigation sources and the provision of basic amenities such as drinking water supply and link roads will form part of this programme. The problem of the educated employed will receive special attention.

Land Reforms

My government is convinced that land reforms are vital for the promotion of an egalitarian social order and for maximising agricultural production. In recent months, various issues relating to land reforms have received special attention of my government. A Central Land Reforms Committee under the chairmanship of the union Minister of Food and Agriculture has been set up. As a result of the lead provided by the Government of India, states in which intermediary tenures have not been completely abolished have taken steps to do so. Further legislation has been introduced in some states to give security of tenure, to reduce rents and ceilings and to restrict exemptions.

While recognising that land reforms come within the legislative competence of the states, my government will continue to press the state governments for further action in promoting a more equitable agrarian structure. Simultaneously the government will pursue the objective of imposing a ceiling on urban property.

Extension of credit facilities for productive purposes to areas and classes hitherto neglected is one of the important objectives of my government. A comprehensive credit guarantee scheme has been launched recently. A Credit Guarantee Corporation has been set up under the auspices of the Reserve Bank of India. As from April 1, 1971, small loans given by commercial and co-operative bank offices will be eligible for guarantee by the corporation to the extent of about 75 per cent of the loans advanced. The increasing attention paid by the banks to the genuine needs of productive enterprises, including those of agriculturists whose main resort earlier was to money-lenders, is one of the striking new developments which have served to concretise the benefits of nationalisation for the small man.

Government also attaches high priority to the extension of elecricity to rural areas and, in particular, to the utilisation of electricity for lift irrigation. The implementation of rural electrification programmes has been appreciably accelerated; 2.66 lakh pumpsets were energised in the first year of the Plan and this tempo has been stepped up in the current year. The Rural Electrification Corporation has begun well with the sanction of schemes of the value of about Rs 70 crores. This programme will be pursued with increasing vigour.

The Urban Poor

My government is keenly aware of the intolerable living conditions of the urban poor. The clearance and improvement of slums and rehabilitation of slum dwellers will figure prominently in the agenda of economic and social reforms which my government has in view and larger resources will be canalised for this purpose. The Housing and Urban Development Finance Corporation has been set up recently and will become an important agency for the augmentation of housing facilities in metropolitan centres and urban areas.

Simultaneously, efforts to improve rural housing conditions will be given fuller consideration. The aim is to allot building sites to landless workers on a larger scale, to legislate for the conferment of homestead rights and to assist in the construction of decent, liveable houses for the rural population. This will necessarily have to be a joint programme of the state and central governments.

My government also proposes to:—

(a) appoint task forces to remove obstacles that come in the way of the speedy implementation of investment programmes in the public and private sectors of our industry and to step up the rate of industrial production;

(b) extend the new technology in agriculture to dry farming, to new crops and to new areas which have not been covered so far. Research and extension programmes for a faster growth in the output of fibres and oilseeds which are articles of mass consumption will be intensified;

(c) consult leaders of trade unions and managements in order to evolve sound industrial relations and to secure increased productivity consisent with a fair

deal for labour. Improvement in industrial relations is as vital as capital and technology for increasing output;

(d) accelerate changes in the structure and functioning of administrative apparatus, expedite decision making, ensure effective delegation of powers and responsibilities and streamline financial procedures; and

(e) devote special attention to building up a well-equipped managerial cadre for the public and private sectors.

The economy recorded growth almost at the planned rate in 1969-70, and it is likely to repeat this performance in the current year. A good harvest for the fourth year in succession is expected, raising the foodgrain output to 105 million tonnes—5.5 million tonnes more than last year. The wheat revolution is by now an accomplished fact. Our agricultural scientists have released a number of high yielding varieties of rice. The response of farmers to the new technology is limited only by our capacity to reach them effectively.

However, the improvement in the food situation will at best be a reprieve. The results of the new census will be a grave reminder that the family planning programme has to be pushed forward with much greater vigour. This programme can only be fulfilled if it becomes a movement. The small family must speedily become the accepted social norm. Indeed family planning should be regarded as a vital element in the gigantic task of social transformation that lies ahead.

Spiralling Prices

While the general outlook for the economy is hopeful, my government is aware that the level of prices in recent months has caused some concern. The wholesale price index is now approximately 3.4 per cent higher than the level about a year ago. But it is important to note that amidst this pressure on prices the foodgrain prices have declined by about 6.5 per cent. The government has therefore sought to keep the rise in prices in check by arranging larger imports of commodities in short supply while taking steps to increase their internal production.

My government intends to draw up and execute a national plan for the application of science and technology to development. This plan will be intimately related to and indeed largely derived from our socio-economic plan. An important feature of such a plan will be the preparation of detailed programmes in a few high priority areas of national endeavour in which science and technology play an important part.

The government has set up an Electronics Commission to ensure balanced development of the electronics industry. The commission will concern itself with research, development and industrial operations in the field of electronics.

My government is anxious that rapid economic development should not lead to the pollution of air, water and soil. There should be rational management of our natural resources taking care not to upset the ecological balance in nature.

The persistence of communal tension in some parts of the country and the occasional flaring up of violence constitute a threat to our secularism and democracy and to the basic values of civilised life which we cherish. The government is determined to overcome this danger. This problem needs to be treated as national task to ensure national survival.

In the recent past, violence has grown in West Bengal. The murder of Mr Hemanta Kumar Basu, one of our oldest and most dedicated colleagues in the freedom movement, and of other political workers has shocked us all. Nevertheless the conduct and results of the recent elections in West Bengal clearly indicate a reaffirmation by the people of their faith in democracy.

My government reiterates its unqualified determination to root out lawlessness and to eliminate the "politics" of murder and assault. Simultaneously my government intends to accelerate the programme for the improvement of Greater Calcutta with the help of public and private investment. The Calcutta Metropolitan Development Authority has begun its work. The Industrial Construction Corporation is about to be launched. Other development works are also being undertaken in West Bengal.

The West Bengal Land Reforms (Amendment) Act was passed in July 1970, whereby the *Bargadar's* share of the crop was increased and his right to cultivate land made secure and heritable. A Presidential Act has been enacted recently to reduce the ceiling and fix it in terms of the family as a unit.

You are aware that orders or the derecognition of the rulers of former Indian states were declared inoperative by a majority judgement of the Supreme Court. However, government's resolve to abolish by approriate constitutional

measures the privy purses and privileges of rulers remains unaltered.

Hope and despair continue to co-exist in the larger world around us. There has been a relaxation of tensions between western and eastern Europe. We welcome the signing of the agreement between the Federal Republic of Germany and the governments of the USSR and Poland. But the situation in south-east Asia and west Asia has worsened.

Troubled Indo-China

The situation in Indo-China has deteriorated further. Ever widening areas are engulfed in war embracing Cambodia and Laos. This is inconsistent with the interests of peace. We have urged restraint and pressed our view that the only solution lies in a peaceful and negotiated settlement within the broad framework of the Geneva accord. It is our belief that the best solution will be an international agreement or convention, signed by all the great powers and others interested in the region.

There is uneasy truce in west Asia. My government hopes that positive response would be made to the series of initiatives recently taken by the UAR showing its earnest desire to implement the resolution of the Security Council of November 22, 1967.

We are concerned at the setting up of military bases by outside powers in the Indian Ocean and the proposed sale of arms to South Africa. As mentioned in the Lusaka Declaration, we should like the Indian Ocean area to be a zone of peace, free from military confrontation and the rivalries of great powers.

The attitude of the Government of Pakistan during the recent hijacking of an Indian Airlines plane and its eventual destruction was deeply resented by the government and the people of India. Friendship and understanding which we seek cannot be achieved by such provocations.

My government will steadfastly pursue its policy of non-alignment. It will raise its voice whenever peace is threatened, wherever the independence of sovereign nations is eroded. It stands firmly against colonialism whether in its old shape or in any new guise.

Your present session will be a short one confined to the transaction of essential financial and budgetary business. You will be meeting again shortly to consider further business. A statement of the estimated receipts and expenditure of the Government of India for the financial year 1971-72 will be laid before you. Bills will also be introduced for replacing the State of Himachal Pradesh (Amendment) Ordinance, 1971, and the Labour Provident Fund Laws (Amendment) Ordinance, 1971. A bill for continuing the Imports and Exports (Control) Act, 1947, will also be introduced in the current session of Parliament.

Honourable members, the people of India have given their verdict in unmistakable terms. With that verdict the period of political uncertainty and of the politics of manoeuvre ends. After the din of the election battle, we must bend ourselves to the service of our people. We can take pride that political democracy and parliamentary institutions have grown and have taken deep roots in the hearts and minds of our people. We must serve the cause of democracy by respecting the will of the people.

The massive majority given to my government is only the first step on the long and difficult road ahead. To achieve victory in the war against poverty and social injustice requires the sustained and dedicated efforts of the millions of our people. I am confident that members of Parliament and the people of India, as a whole, will respond, in abundant measure, to the challenge of our times.

Annexure II

Finance Minister's Budget Speech

Sir,

I rise, to present the interim Budget for the year 1971-72. The people of India through their representatives in this honourable House have reposed their overwhelming confidence in the government led by Mrs Indira Gandhi. Those of us who are privileged to belong to this government and the party it represents know well that we shall vindicate the verdict of the people only to the extent that we redeem our promise to promote the well-being of the poor and the unemployed in this land.

Economic policies in the country have already been given a new and bold orientation towards growth with social justice in the recent past. Our task now is to reassess the entire range of our policies so as to give them a sharp focus of effectiveness, to translate these policies into concrete programmes of action and to implement these programmes with speed and determination. Only so can we accelerate the process of growth, reduce disparities in income, wealth and economic power, generate employment on a massive scale and avoid pressures on prices or balance of payments of the kind which generate internal tensions and increase our dependence on external credits.

The budget of the central government is a powerful instrument for achieving our basic objectives. Within the few days that the new government has been in power, it has obviously not been possible to subject our budgetary position and policies to a searching and comprehensive review. We propose, therefore, to present the budget proper for 1971-72 in the next session of Parliament so that government and the honourable members have adquate time to review and assess the full implications of what is required at this crucial juncture in our economic history.

My purpose today is a limited one, viz.,to propose a vote on account which can be passed before the March 31 so that government can carry on its business during the early months of the next financial year. The Finance Bill I shall introduce later today contains no new tax proposals.

On the expenditure side, we have taken care to provide for Defence, normal administration, assistance to the states and the central Plan on a scale which would permit all necessary and worthwhile activities to go forward during the initial period of the vote on account. Even at this stage we propose to provide for some new and significant initiatives such as a country-wide programme of employment-oriented productive works so that their implementation can begin in right earnest. Before the presentation of the budget proper next May, we shall review the entire position, including the scope for additional mobilisation of resources, with a view to provide for a sizeable increase in outlays on development and social welfare. The estimates of Plan expenditure, which I shall be presenting today, are tentative; and it will be our endeavour to ensure that the momentum of planned development is accelerated significantly from year to year.

Economic Conditions

Economic conditions in the country have been, on the whole, favourable during the past 12 months. A detailed survey of the economic situation will be presented to the next session of Parliament. Honourable members would, however, permit me to outline briefly the strength and the weaknesses of the Indian economy during the past year.

For the second year in succession, the over-all rate of growth of the economy is expected to measure up fully to the target set in the fourth Plan. National income in real terms which had increased by about 5.5 per cent in 1969-70 is expected to register a further increase of a similar order in 1970-71.

Agricultural Growth

Agricultural growth has been an important contributory factor to the overall growth of the economy. The production of foodgrains which had recorded an increase of 5.8 per cent to 99.5 million tonnes in 1969-70 is expected to increase by another 5.5 cent to 105 million tonnes in 1970-71. Despite progressive decline in imports, it has been possible to build up a sizeable stock of foodgrains in the hands of the government which at present amounts to more than 5½ million tonnes as compared to less than 4½ million tonnes a year ago. The larger availability of foodgrains has also been reflected in a reduction in foodgrains prices.

With the exception of sugarcane, however, the production of commercial crops, notably cotton and oilseeds, has been inadequate; and this has had adverse effect on industrial production and prices. We have attempted to restrain the resultant increase in prices of major agricultural raw materials by restraint on credit and speculative activity and by larger imports. Our agricultural scientists have achieved some success in evolving new programmes for raising the productivity per hectare of commercial crops. It is necessary to extend this process not only for price stability and reduction in the reliance on imports but also for improving living conditions for most of our poorer farmers in dry areas. I can assure honourable members that all promising programmes for increasing yields per hectare in respect of commercial crops will receive our maximum support, both financial and otherwise.

Industrial Production

During the year as a whole, industrial production is expected to increase by roughly 6 per cent. The improvement in performance has been shared not only by capital goods industries, particularly machinery and machine tools, but also by important intermediate goods industries such as aluminium, nitrogenous fertilizers, petroleum products and heavy chemicals and by a wide range of consumer goods industries. The performance of new industries and the small-scale sector has also been encouraging. Nevertheless, the fact remains that the tempo of industrial production in the country needs to be substantially accelerated and to this end the supply of both agricultural and industrial raw materials particularly steel needs to be rapidly increased. It is with this end in view that government proposes to speed up the completion of the Bokaro steel plant, to improve the performance of existing steel plants both in the public and the private sectors and to set up three new steel plants in the southern states. Preparatory work on these new steel plants is proceeding satisfactorily. Here again, we shall not allow their progress to falter as a result of financial constraints.

New industrial investment propositions approved during 1970 have been much larger in magnitude than during the corresponding period in the preceding year. Production of capital goods within the country is increasing and so are the applications for the import of capital goods. We shall endeavour to accelerate this process of industrial investment

so that more employment apportunities are created and there is no shortage in the coming years of key commodities.

Honourable members are aware that during the last year we have taken a number of important policy decisions regarding industrial licensing, control of monopolies and greater emphasis in the policies of the public financial institutions towards assisting the backward regions and the newer entrepreneurs and towards participation in the management and the profitability of the larger units they might assist in national interest. The vast potential for further industrial growth which has been created by our efforts over the past two decades cannot be exploited fully without bringing in a larger number of smaller people within the net-work of initiative and enterprise. When large new investments or expansion of existing large units become necessary in the over-all interests of the economy, it shall be our endeavour to reconcile growth and efficiency with reduction in the concentration of economic power by an imaginative and flexible use of the concept of the joint sector and by the expansion of the public sector.

Price Situation

In the latter part of 1970, the price situation in the country became a matter of concern as the wholesale price index from week to week remained higher by as much as seven per cent or more when compared to the corresponding week in the preceding year. During recent weeks the general price index has shown an increase of four per cent or less as compared to the corresponding weeks in 1970. Even so, the price situation warrants continued vigilance and we propose to take vigorous measures to ensure a reasonable degree of stability in the prices of essential goods which enter into mass consumption.

The phenomenon of rising prices has been a matter of concern all over the world and there is hardly any country which has been able to avoid at least a moderate increase in prices of 3 to 4 per cent per annum in recent years. We cannot, however, ignore the implications of an unabated price increase, particularly its effects on the standard of living of the fixed income groups and the weaker sections. It is now generally recognised everywhere that without an active policy of restraint on wages and prices and, therefore, on incomes, we cannot avoid a price spiral which moves continually upwards from one industry to the other. In our circumstances, the shortage of some key raw materials which we can relieve only to a limited extent by larger imports has also been a major contributory factor. Efforts to increase production in key areas is thus an essential part of any price policy. Any attempt to accentuate unavoidable shortages in the short run by speculative activity will also have to be resisted firmly.

The overall growth in money supply has also been larger than what is warranted by the growth in production. The budgetary deficit at the centre has been of the same order as set in the last budget. However, commercial banks' borrowing from the Reserve Bank remained at unusually high levels for most part of the current year. It was against this background that the Reserve Bank raised the bank rate from 5 to 6 per cent early in January and took simultaneously a number of measures to encourage savings and assist deposit mobilisation and to discourage bank borrowing from the Reserve Bank except for priority purposes. These measures together with the tightening of selective controls on advances against commodities in short supply have already had a salutary effect.

Financial Institutions

Honourable members would be happy to know that an impressive beginning has been made with the achievement of the objectives that we had in mind when we took the eventful step of nationalising 14 major banks in the country. For example, in the first seventeen or eighteen months of nationalisation, i.e., between July 19, 1969 and end of December 1970, the public sector banks, i.e., the 14 nationalised banks and the State Bank of India and its seven subsidiaries, opened, on an average, as many as 145 new branches per month as against 80 per month during the first six months of 1969 and 47 per month during 1968. Roughly 70 per cent of these new branches have been located in centres which had no banking facilities at all so far, the bulk of them being in the rural areas. The Lead Bank Scheme for the intensive development of banking in over 330 districts of the country is making satisfactory progress. Survey reports on about 80 districts have already been prepared and many more are nearing completion. The results of the surveys are being pooled and centres for new branches are being allotted continously to the commerical banks. The record of the new branches opened in mobilising local deposits and in utilising them for productive purposes in the same areas has been particularly commendable.

The shift in emphasis in the matter of giving credit in favour of relatively weaker sections of the society which had hitherto been neglected by the banking system has been equally pronounced. Between June 1969 and November 1970, the aggregate number of borrowal accounts in respect of previously neglected sectors such as agriculture, small-scale industries, road transport operators, small traders and self-employed persons and professionals increased from a little less than three lakhs to more than 11 lakhs and the total assistance given to these sectors almost doubled. This process will gather further momentum with the formation of the Credit Guarantee Corporation of India Ltd early this year. Small borrowers are also likely to benefit once the scheme

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of differential lending rates, the details of which are currently being worked out by a committee, is introduced.

Honourable members would appreciate that the ability of the public sector banks to fulfil their obligations to the weaker sections of the community without neglecting the genuine requirements of all productive establishments would depend ultimately on the success in mobilisation of deposits and on the ability to scrutinise the end-use of credit so as to eliminate all wasteful and unproductive borrowings. While the nationalised banks have made a good beginning in regard to both these objectives, I am deeply conscious of the fact that much remains to be done in this regard as also in respect of improvement of service to customers. We propose to increase greatly the facilities for meaningful training of employees and so to shape personnel policies as to bring about a greater sense of dedication and harmony among management and staff at all levels. The bank employees have been among the staunchest supporters of bank nationalisation for many years and we, on our part, have not been slow in responding to their legitimate demands for improvement in emoluments and working conditions. I hope and trust that individually as well as collectively bank employees will play their part in the vital task of economic regeneration of the country.

The long-term financial institutions including the Industrial Development Bank of India, Industrial Credit and Investment Corporation of India, Industrial Finance Corporation, the Life Insurance Corporation and the Unit Trust of India have had another successful year. Honourable members are perhaps aware that a new Industrial Reconstruction Corporation with headquarters at Calcutta is being set up. This corporation is expected to play a signifiant part particularly in the eastern region in and around Calcutta. Wherever possible, the corporation will endeavour to rehabilitate industrial units which have recently closed down or are facing the risk of closing down by reconstruction of the share capital, strengthening of management, diversification of products, improvement in technology and labour relations and provision of finance on suitable soft terms. I have no doubt that with the active co-operation and participation of all concerned, this corporation will play a useful role in reducing unemployment as well as economic and social tensions in a vital area of the economy.

Balance of Payments

Honourable members would be happy to know that by the end of the current fiscal year, we would have repaid all the outstanding drawings on the International Monetary Fund that we had to make during the critical years of 1966 and 1967. In addition, we have fulfilled our obligations in relation to an increase in our International Monetary Fund quota from 750 million to 940 million dollars. We have also been an important beneficiary of the scheme for the creation of Special Drawing Rights.

While the overall improvement in our foreign exchange position during the past two or three years has been unmistakable, I cannot help emphasising that there is no room for complacency whatsoever in regard to our balance of payments. During the current fiscal year, for example, the improvement in our position *vis-a-vis* the International Monetary Fund will be matched by a corresponding decline in our own reserves including Special Drawing Rights so that, on balance, our total reserves position will show little or no improvement. There has also been a substantial increase in import licences issued for the maintenance of the economy the full impact of which is yet to be felt. Much greater and continuing effort on a wide front would also be necessary if the target of a 7 per cent per annum increase in export earnings set in the fourth Plan is to be realised from year to year. The outlook regarding the net inflow of foreign aid remains uncertain. This is particularly so in respect of readily useable aid such as non-project assistance and refinancing of our heavy debt repayments.

Against this background, it would be prudent on our part to seize every worthwhile opportunity for export promotion as well as import substitution and to exercise the maximum restraint on the imports and consumption of less essential items. This underlines once more the need for keeping a firm rein over costs and prices, and for the deployment of fiscal instruments to regulate consumption. The priorities in investment also have to be guided by the exigencies of the balance of payments. Let us not forget that our objective is to combine growth not only with social justice but also with self-reliance. We have a long way to go before we can rest content with our achievement on any one of these fronts.

Employment Opportunities

By far the most urgent problem that needs our wholehearted attention is the problem of unemployment. It is this more than anything else which poses a threat to the stability of our young democracy. There are indications that the employment situation in the country has improved somewhat in response to the revival of agricultural and industrial production over the past two years. But the fact remains that notwithstanding the rapid economic strides we have taken over the past two decades, the twin problems of mass poverty and unemployment remain as acute as ever. In large pockets, there has perhaps been a worsening of conditions. There can be no question that poverty and unemployment cannot be eradicated without a sustained process of growth. But there are several ways of achieving growth; and we have to seek out those which make the maximum impact on unemployment and mass poverty.

It was with this end in view that the government took a decision some time back that new employment-oriented schemes should be taken up in each district in the country with a view to provide employment to at least one person in every family. Instructions have already gone to the state governments to prepare schemes, which apart from creating additional employment opportunities would also add to the productive potential in each district. In the budget for 1971-72 a provision of Rs 50 crores is being made to support this country-wide programme of creating more employment opportunities with a productive bias.

The committee which was set up by the Reserve Bank of India to review the special credit schemes of the commercial banks has offered a number of valuable suggestions for promoting and encouraging self-employment. The recommendations made by the committee are receiving urgent attention and decisions thereon will be taken expeditiously.

Budgetary Out-turn, 1970-71

The budget introduced last year by the Prime Minister provided for a substantial increase in Plan outlay at the centre, massive assistance to the states, for a similar increase in Plan outlay at the state level and a series of new initiatives in order to combine growth with a greater regard for the welfare of the most needy sections of society. During the year, we have honoured our commitments to the states and have indeed given

substantial assistance in addition to what was provided in the budget for urgently felt needs such as those for the improvement of living conditions in the Calcutta metropolitan area and for relief in the flood and famine-stricken areas in other states. The minimum pension, as also family pension for central government employees has already been increased. A similar scheme for family pensions as well as lump sum payment in the event of death has already been introduced in respect of industrial workers who are liable to pay contribution to the Employees Provident Fund at the rate of of 6¼ per cent of their pay as well as for workers covered by the Coal Mines Provident Fund and Bonus Scheme Act, 1948. The newly set up Housing and Urban Development Finance Corporation has made a beginning with its activities and it shall be our endeavour to ensure that these activities gather rapid momentum so that there is visible improvement in some of our largest urban conglomerations. The nutritional programmes for children in tribal blocks and slum areas, extension of drinking water and special schemes for small farmers, marginal farmers and dry farming areas have been taken in hand. While the expenditure on selective rural works programmes in chronically drought affected areas is likely to fall short of the target of Rs 25 crores because of the time taken in preparing and finalising worthwhile schemes, honourable members would note that outside this provision a sum of Rs 100 crores has been provided for natural calamities relief as against the budget provision of Rs 50 crores only. Provision is being made in the budget for the coming year for the continuation of these special schemes.

There is every reason to believe that the step-up in Plan outlay envisaged at the state level during the current year will be achieved and in fact in several states, Plan outlay will exceed the initial provision. The provision for special assistance to the states in a weaker financial position has been increased from Rs 175 crores provided in the budget to Rs 195 crores which in being provided in the revised estimates. It is, however, a matter of some concern that despite the enlarged provision for special accommodation, a number of state governments have continued to incur large overdrafts with the Reserve Bank of India, thus adding to inflationary pressures in the economy. Considering the fact that funds to be earmarked for special accommodation are going to be smaller in the coming years as per the agreed pattern, it is vitally important that state governments, no less than the centre, observe the strictest fiscal discipline and adopt all possible measures to raise and conserve resources.

Step-up of Plan Outlay

As far as the centre's Plan outlay is concerned, indications are that the actual expenditure in 1970-71 would show a substantial increase of the order of Rs 180 crores over the actual expenditure in 1969-70. It is a matter of great disappointment, however, that the actual outlay in both the years is likely to show a significant shortfall in relation to the original budget provisions. Many of the industrial projects in the central sector, notably Bokaro Steel Plant, the fertilizer plants and petrochemical projects have not been able to get into stride as rapidly as was expected. Clearly, we need to examine criticall your present procedures for the scrutiny and sanctioning of major Plan schemes and to put greater speed in implementation. We propose to review the progress of major schemes included in the central Plan so that the provision made for them in the coming year is as realistic as possible. Additional schemes particularly those which can be taken up quickly and which can yield quick returns and make an impression at the same time on the well-being of the poorer sections of the community will also be kept ready to make up for shortfalls which become inevitable. I would like to make it absolutely clear to honourable members that while some readjustment of Plan priorities and re-arrangement of Plan programmes are obviously called for, there is no question whatsoever of reducing the size of the Plan. Quite the contrary is our intention.

In the revised estimates for the current financial year, tax revenues—particularly revenues under Income and Corporate Tax—are expected to show some improvement over the budget estimate for 1970-71. The revised estimates for the current year thus show a tax revenue of Rs 3,198 crores against the budget estimates of Rs 3,154 crores. There is likely to be a similar increase in non-tax revenue as well. This improvement under revenue receipts, however, will be offset by a reduction of about Rs 26 crores under market loans and of nearly Rs 50 crores under external assistance.

I have already referred, briefly, to the position regarding expenditure in the current year on the Plan and by way of assistance to the states. On non-Plan expenditure, a major item of variation has been the incidence of the interim award of the Pay Commission which was accepted in toto by the government. On the whole, and in part as a result of the incidence of the Pay Commission's interim award, the contribution of public sector enterprises to the budget is expected to be of a lower order. Loans to some of these enterpries for meeting their cash loss and working expenses would also be some Rs 30 crores larger than what was provided in the budget. On balance, the budgetary deffcit at the centre in the revised estimates for the current year is now estimated

at Rs 230 crores, i.e., roughly of the same order as the budget estimate of Rs 227 crores.

Budget Estimates, 1971-72

At existing rates of taxation, total tax revenue next year is estimated at Rs 3,403 crores, of which the share of the states will be Rs 850 crores. Non-tax revenue excluding food aid and PL 480 revenue grants is expected to increase from Rs 908 crores this year to Rs 966 crores next year. While receipts under market loans and small savings will show an increase, receipts under external assistance are expected to show a significant decline from Rs 518 crores this year to Rs 421 crores in 1971-72. The major part of this decline is accounted for by receipts under PL 480. Net receipts from non-project and project assistance also are likely to decline from Rs 355 crores in the revised etimates this year to Rs 324 crores next year.

On the expenditure side, normal administrative expenditure will show an increase of Rs 15 crores over the current year's level. An additional provision of Rs 65 crores is being made for expenditure on defence, both revenue and capital as compared to the budget provision in the current year. The provision of Rs 50 crores for employment-oriented schemes to which I have referred earlier, is for the time being treated as outside the Plan. Excluding this, the provision in the central budget for the Plan for 1971-72 will be Rs 1980 crores representing an increase of Rs 74 crores over the budget estimates for the current year. This entire increase is by way of Plan assistance to the state governments and the union territories, the provision for which is being increased from Rs 711 crores in the current year to Rs 785 crores in the coming year. This is in accordance with the discussions held between the Planning Commission and the state governments regarding their Plans for 1971-72. I have chosen to make full provision for Plan assistance to the states even at this stage so that state governments can proceed with their annual Plans for 1971-72 without having to wait for the central budget proper to be introduced next May.

The provision of Rs 1195 crores for the central Plan proper next year is at the same level as in the budget for the current year although in relation to the likely expenditure, the interim provision now being made would represent a significant increase. I have already made it clear that we have every intention of augmenting the provision for the centre's Plan in the budget to be presented in May. We shall also endeavour to make sure that the outlays provided for different programmes in the central Plan proper are so scrutinised and re-arranged as to avoid the kind of shortfalls which have been a disturbing feature of the past two years. At the same time, the search for identifying areas for securing economies in non-Plan expenditure will be vigorously pursued.

The revenue account next year on present indications is expected to show a surplus of Rs 114 crores. The fact that we can look forward to a revenue surplus next year without any additional taxation is an indication that the attempt to enlarge the tax base in the last year's budget has met with significant success. And yet, this is only one part of the story. The capital account is expected to show a deficit of Rs 354 crores, so that the overall deficit in the interim budget is estimated to be Rs 240 crores, or roughly of the same magnitude as in the revised estimates for the current year. Since a sizable increase in Plan outlay would have to be provided for in the budget to be presented in May, and since it would not be prudent to enlarge the quantum of the budgetary deficit, the task of widening and deepening the resource base will have to continue. If the momentum of growth is to be improved and sustained, this is an obligation from which we can scarcely renege.

Sir, the brief outline of the interim budget that I have just given is only a token of our determination to accelerate the momentum of growth and to provide for the needs of the weaker sections of the community. If it has not been possible in this budget to give a more positive indication of our intention to increase Plan outlays and to enlarge the resources required for this purpose in a manner which serves at the same time our larger social objectives, honourable members would appreciate, that the budget I have presented could not take into account the mainstay of all finance ministers, namely, the power to raise more revenues and redistribute incomes and wealth by suitable changes in the fiscal system. I hope to receive constructive suggestions during the coming weeks from all honourable members and from the people at large.

The vitality of the political freedom we won and of the democratic institutions we gave ourselves has been demonstrated in recent weeks as never before. We are now engaged in a new struggle against poverty and injustice. I have no doubt that the people of India will once again prevail and we shall witness soon a new dawn of social and economic freedom in this great and ancient country.

Sir, with these words, I have the honour to commend this interim budget to the House.

Annexure III

Railway Minister's Address

MR SPEAKER,

Sir, I rise to perform the pleasant duty of placing before the House the annual financial results of the Indian Government Railways showing the receipts and expenditure for the year 1971-72.

Hon'ble members of the House have had a strenuous time convicing the electorate of their stand and seeking their suffrage. We all meet in the House with a sense of new spirit and dedication, but we have not yet had the time to apply our minds in detail to the various problems pertaining to the railway administration. It is, therefore, that I am not placing today the complete and final picture of the working of the railways. I am now submiting to the House a mere annual financial statement relating to the Indian Railways together with connected documents. I seek the approval of the House to the vote-on-account for the estimated expenditure of the first four months only of the financial year, 1971-72. In the light of the observations, crticisms and comments hon'ble members may be pleased to make, a full-fledged budget will be placed before the House for consideration a few months later. The statement, however, will enable the House to appreciate the financial position of the railways in its true perspective.

We are now at the close of the second year of the fourth Plan. During these two years, 186 kilometres of new lines have been opened for traffic; 420 kilometres of track doubled; and 326 kilometres have almost been converted from metre gauge to broad gauge. The railways' rolling stock has been augmented by 418 locomotives (226 diesel; 79 electric; and 113 steam) 2,857 coaches and 26,702 wagons (in terms of four wheelers). Ninty-one new trains were introduced and the runs of 78 existing trains were extended, thereby the railways have added 17,404 train kilometres per day. One hundred and forty five new trains were introduced and runs of 37 existing trains extended on the suburban sections, adding 7,436 train kilomtres per day.

Accounts of 1969-70

I shall first deal with the financial results of 1969-70 – the last completed year. The gross traffic receipts amounted to Rs 951·28 crores. It is almost the same as the revised estimate of Rs 950·55 crores. The revised estimate of ordinary working expenses was Rs 683.05 crores. The actual expenses of Rs 684.94 crores were higher by Rs 1.89 crores. After taking into account the other items, like the annual appropriation to depreciation reserve fund, pension fund, net miscellaneous expenditure and dividend payment to general revenues. the shortfall came to Rs 9.83 crores, against Rs 12.55 crores foreseen at the stage of the revised estimate. This shortfall of Rs 9.83 crores was met by a loan of Rs 8.86 crores from general revenues and the balance by withdrawal from the revenue reserve fund.

The railways maintain a development fund for financing unremunerative works of operating necessity, amenities for passengers, and staff quarters. A sum of Rs 17.08 crores was spent on these works in 1969-70. This fund is normally fed from the revenue surplus after fully meeting the liability of dividend to the general exchequer for the capital-at-change. As will be explained later, the railways were not able to earn any revenue surplus in the year. Hence, an amount of Rs 18.51 crores was raised; by a loan of Rs 18.15 crores from the general revenues and Rs 36 lakhs from the meagre balance available in the development fund. The loan liability of the railways to the general revenues under development fund rose consequently at the end of 1969-70 from Rs 25.30 crores to Rs 43.45 crores. The total indebtedness to general revenues amounted to Rs 52.31 crores.

Revised Estimates, 1970-71

The budget estimates as originally presented for the year 1970-71 envisaged a surplus of Rs 22.38 crores. In deference to the wishes of the House last year, my predecessor had given up certain proposed increases in third class passenger fares and in freight rates, particularly those on foodgrains. Thereby, we had to forgo Rs 13 crores of revenue. As a result, the surplus shown in the budget estimate came down to Rs 9.38 crores. As against this, the revised estimates now show a shortfall of Rs 23.69 crores. The gross traffic receipts fell by Rs 5 crores and the working expenses increased by Rs 30.77 crores. There was a reduction of Rs 1.42 crores in miscellaneous expenses and Rs 1.28 crores in the dividend payable to general revenues. The cumulative effect of all these factors is a shortfall of Rs 23.69 crores.

The estimates of gross traffic receipts were, at the time of the preparation of the budget for 1970-71, based on a revenue earning traffic of 183.9 million tonnes, as against 173.8 million tonnes in the preceding year. Actually, however, instead of an increase of 10.1 million tonnes, the revenue earning traffic this year will be some 4.3 million tonnes less than that last year. There has been a significant drop in the traffic to and from steel plants, of coal for general purposes and of other goods. Fortunately, the effect of fall in the originating tonnage of traffic has not been proportionately adverse on railway earnings. It is because of two favourable factors, namely, improvement in leads to the extent of 2.2 per cent on an average, and a larger proportion of high-rated traffic in the overall traffic carried. The railway earnings could have been decidedly higher but for the unsatisfactory law and order situation in some places in the eastern and north-eastern regions, the unauthorised wild-cat strikes and the breaches caused by floods in Gujarat. Hon'ble members would agree that essential rail services had to be maintained and, therefore, the Essential Services Maintenance Act had to be invoked thrice during the year. The lightning strike in the Dhanbad division of the Eastern Railway last month and in the Tatanagar yard and shed of South-Eastern Railway earlier this month are instances in point. The former almost choked off the supply of coal for domestic and industrial consumption to the rest of the country and even resulted in the curtailment for some days of over 900 passenger train services. The latter jeopardised vital supplies of iron ore, coal and coke to the steel plants. A common and regrettable feature of these two strikes was that they were sparked off on trivial and flimsy grounds. They were in no way related to industrial disputes and trade union rights and responsibilities. In one case it was merely a quarrel between two railway families and in the other it was an altercation between a loco employee and a compounder in a railway hospital. This highlights how irresponsible and misguided agitations can jeoparidise vital national interests.

A brochure has been included in the budget documents circulated to the hon'ble members giving brief particulars of important incidents that occurred during the year resulting in destruction of property and assets, and dislocation of railway services on account of disruption of communications,

demonstrations, bundhs, strikes and attacks on railway staff. Hon'ble members will share my relief that in spite of these adverse factors, the gross receipts are only Rs 5 crores short of the modified budget.

During the current year a number of important factors beyond the control of railways have thrown a heavy burden on the revenue expenditure of the railways. Working expenses increased by Rs 36 crores on account of interim relief to the staff sanctioned by government on the basis of the recommendation made by the third Pay Commission. Large sums of money had also to be found to meet heavy expenditure on other items, such as, Rs 2.40 crores on flood damage, about one crore rupees for payment of arbitration tribunal awards to staff, Rs 1.25 crores on account of increase in the rates of travelling and daily allowances and about Rs 5 crores on account of increases in prices of various materials. During the first half of the year, falling income and increasing expenses presented a gloomy picture. A persistent and vigrous campaign was, therefore, initiated to maximise earnings and to reduce expenditure. The results achieved from these drives have been encouraging. In the mid-year appraisal, it had been feared that the railway deficit would be as high as Rs 47 crores. Because of various measures taken to prove earnings and reduce expenditure, the deficit has been halved. Even so, after appropriating Rs 100 crores to the depreciation reserve fund, Rs 15 crores to the pension fund, and Rs 165.81 crores as dividend to general revenues, etc., the railways will be in the red to the extent of Rs 23.69 crores at the close of the current year. I admit that the financial position of the railways is not very happy. However, I would like to bring to the notice of the hon'ble members an encouraging feature of the year's working. But for post-budgetary developments throwing up a burden of Rs 45.65 crores on working expenses, the railways might still have ended with a surplus of almost the same order as foreseen in the original budget, man-made disasters and natural calamities notwithstanding.

Light Railways

During the year 1970-71, three light railway companies under the management of Messrs Martin Burn Limited, Calcutta, with aggregate kilometrage of 246 have closed down their operations. These are (i) Shahdara-Saharanpur Light Railway (148.9 kms) in Uttar Pradesh which closed down from 1st September 1970; (ii) Howrah-Amta (70.3 kms); and (iii) Howrah-Sheakhalla (27.1 kms) Light Railways in West Bengal which closed down from 1st January, 1971. All these were narrow gauge railways, catering mostly to short distance passenger traffic. The Shahdara-Saharanpur Light Railway carried about 12,000 pasengers per day while Howrah-Amta and Howrah-Sheakhalla Railways together carried about 25,000 passengers per day. The management announced that the closure was forced on the companies by increasing losses year after year due to severe road competition in the areas served by them. The accumulated losses on these three light railways amounted to Rs 36 lakhs. The rolling stock, track and other assets of these railways had not been maintained properly. They were in a worn-out condition requiring considerable expenditure for rehabilitation. The standard of passenger amenities on these railways was also much lower than that obtaining on Indian Government Railways. Nationalisation of the light railways or assumption of management by the Ministry of Railways was considered. But careful examination showed that it would not be in the public interest. Not only will we have to spend considerable amounts of money in replacing and rehabilitating the equipment, but also the running costs would go up sharply due to our having to bring their working to the standard of government railways. The transport needs of the public in the areas served are being met by the respective state governments augmenting the road services. In order to prevent the staff of the light railways numbering about 3,000 from being thrown out of employment, the central government has decided to absorb these personnel in suitable categories on the Indian Government Railways.

A Year of Challenge

This has been a year of challenge and trial for the railways and railwaymen—particularly those serving in the eastern region. Smooth and regular operation of trains became impossible on several occasion. There were a large number of attacks on railway property causing dislocation of traffic and immobilisation of rolling stock. There were also assaults on railway employees on duty, especially staff connected with the running of trains such as drivers, motormen, guards and assistant station masters. The railwaymen had to suffer some bomb attacks by extremist elements, resulting in some cases in serious injuries.

A few days back, one assistant officer of the Eastern Railway was murdered in broad day light in Calcutta area while returning home from his place of work. On 15th March, 1971, a bomb was thrown by some extremists near the loco shed at Andal, which hit a guard and a shunter. The shunter succumbed to his injuries on the spot while the guard was wounded. In encounters with dangerous and violent criminals, 23 men of the Railway Protection Force lost their lives and another 165 were injured during the year. There have also been some cases of robbing railway cash. In one of them, an armed gang raided the premises of the State Bank of India at Chittaranjan, killed one Railway Protection Force guard on escort duty and looted 18.84

lakhs of rupees, while it was in the process of being taken over by the railway cashier. We are going to take firm and unrelenting steps to check this menace and bring the criminals to book.

The incidence of thefts and pilferages of railway equipment continued to be heavy. Such thefts not only result in financial loss to the railways but also seriously affect the efficiency of rail operation. As the House is aware, the entire route from Calcutta to Mughalsarai over the Grand Chord is now electrified. The theft of overhead traction copper wires puts the entire train operation out of gear on the electrified section for several hours each day. During the period April to December, 1970, as many as 436 cases of thefts of overhead traction wires occurred on the Eastern and Southeastern Railways. The tele-communication control, on which the entire train operation is dependent, was also interrupted frequently due to thefts of tele-communication cables and equipment. Every theft of tele-communication cable results in interruption of train control by about ten hours during which period the movement of trains gets slowed down appreciably, resulting in heavy detention to trains. The extent of these thefts can be judged from the fact that on the Eastern Railway alone there were as many as 4,163 cases of thefts of tele-communication cables and equipment during the period from April to December, 1970.

Passenger Amenities

I know the hon'ble members are very particular of providing better passenger amenities. An amount of approximately Rs 4 crores is being spent on this objective every year by the railways. I am glad to say that as a result of concerted efforts at all levels, considerable improvement has taken place in items like train lighting, fans, water supply and the like, but I am aware that much still remains to be done. Unfortunately antisocial elements resort to wanton destruction of railway property and indulge in systematic thefts Many of these fittings, like fans, are in short supply and it becomes difficult to replace them as fast as they disappear. The Railway Protection Force have been alerted to keep a close watch on passenger coaches and other stock, particularly in those yards where such thefts are most marked. We are taking steps seriously and earnestly to maintain and improve the equipment in our coaches.

Movement of Foodgrains

The "Green Revolution" has increased food production all over the country. There have been bumper food crops particularly in Haryana and Punjab. 'Railways have risen to the occasion by transporting these increased quantities to the distant corners of the country. During the period of ten months ending January 1971, the railways loaded as many as 3,83,093 broad gauge wagons.

Budget Estimates, 1971-72

Let me now deal with the budget estimates for 1971-72, The gross receipts for the year 1971-72 at the existing level of rates and fares are estimated at Rs 1,044 crores, which are Rs 40 crores higher than in the current year. The estimate of earnings under 'other coaching' has been prepared, assuming the normal rate of growth. In the case of passenger traffic, however, the expansion may not be as brisk as has been witnessed in the current year. Therefore, in 1971-72 only a three per cent rise in passenger receipts has been adopted. It has also been assumed that all the additional nine million tonnes of traffic expected to be carried by the railways next year, would be revenue earning in character. They will add Rs 30 crores to our freight earnings.

The net ordinary working expenses have been placed at Rs 765.44 crores i.e., Rs 33.68 crores more than in the revised estimates for the current year. The increase is mainly accounted for by staff costs Rs 17.53 crores, fuel Rs 7.80 crores, repairs and maintenance Rs 5.03 crores and miscellaneous Rs 3.32 crores. The appropriation to the pension fund has been kept at the same level of Rs 15 crores as that for the current year. The appropriation to the depreciation reserve fund has been stepped up from Rs 100 crores to Rs 105 crores as provided for in the fourth Plan. The expenditure on open line works revenue together with other miscellaneous items is expected to go up by Rs 2.79 crores to Rs 17.91 crores. Consequent on an increase in the capital-at-charge, the dividend to general revenues is expected to increase from Rs 165.81 crores in the current year to Rs 173.77 crores. In the net result, the railways at the current level of rates and fares and cost to staff and stores will fall short by Rs 33.12 crores in meeting their full liability of dividend payable to the general revenues. It will be necessary to take a loan from the general revenues to make good this deficit.

From the figures of financial results for three years given by me, the hon'ble members would have seen that railway finances are not on an even keel. In fact, the downward trend started from 1964-65, from which year they could not meet the full liability for development fund works. From 1966-67, the railways could not meet fully even the annual dividend liability to the general exchequer. The accumulation in the revenue reserve fund, which stood at Rs 63 crores in the beginning of 1966-67, has been exhausted. In addition, a loan of Rs 8.86 crores had to be taken in 1969-70 and another loan of Rs 24.92 crores in 1970-71 for meeting dividend liability. For meeting the full dividend liability in 1971-72 and repaying one-third of the earlier loans, the railways will have to borrow Rs 45.51 crores from general revenues. It will raise their indebtedness to the general exchequer to Rs 65.08 crores on this account at the end of the next year.

The railways will have to borrow a further sum of Rs 21.58 crores in the current year and another Rs 23.49 crores during 1971-72 for meeting the expenditure of development fund works. The total loan liability to the general revenues on account of development fund works would aggregate to Rs 88.52 crores at the end of 1971-72.

The total indebtedness of the railways to the general revenues at the end of 1971-72 would amount to Rs 153.60 crores under the two sets of loans. The railways have, therefore, to generate resources enough not only to repay these accumulated loans but also to rebuild the revenue reserve fund and the development fund. I may add that in the above calculations no allowance has been made for the additional financial burdens that may be imposed as a result of the recommendations of the third Pay Commission and the awards of the Railway Arbitration Tribunal.

Works Expenditure

Works expenditure in 1969-70 was Rs 50.83 crores less than the revised estimate of Rs 243.30 crores, mainly due to slower progress of certain works and some hold-up and delay in the procurement programme of meterials, particularly steel and less out-turn of rolling stock.

The revised estimate of net expenditure on works, machinery and rolling stock for the current year has been placed at about Rs 241 crores, against the budget estimate of 280 crores. The reduced level of revised estimates has been determined after taking into account the physical progress of the works, out-turn of rolling stock from the production units and expected deliveries and supplies from outside agencies. The provision for expenditure on works, machinery and rolling stock programme for the budget year 1971-72 has been put at Rs 280 crores. This is about Rs 28 crores less than the outlay which was fixed for the year under the original fourth five-year Plan. The reduction in the outlay was necessitated by the rate of growth of the economy in some particular sectors not coming up to expectations. A summary showing the

important items of works, machinery and rolling stock is circulated as usual along with the budget documents. Details are given in the works, machinery and rolling stock programme which also forms part of the budget documents.

Railway Convention Committee, 1968

A Committee of both Houses of Parliament, known as Railway Convention Committee, reviewed in 1965 financial arrangements between railways and general finance. In the light of its recommendations accepted by government, a resolution defining the relation between the railway finance and the general revenues was passed by both Houses of Parliament in December 1965. These arrangements were to be co-terminus with the then envisaged fourth Plan for the quinquennium commencing April 1, 1966. There was an interregnum of three annual Plans and the new fourth Plan commenced from April 1, 1969. It was, therefore, felt that a new convention arrangements should be made to be co-terminus with the current fourth Plan commencing April 1, 1969. Accordingly, in November-December, 1968, a resolution was passed by both Houes of Parliament constituting the Railway Convention Committee, 1968. This committee held some meetings and saw the production units and a few railway headquarters. However, the committee could not complete deliberations and present their report as it ceased to exist with the dissolution of the Lok Sabha in December, 1970. The need for such a committee continues to remain and it has to be reconstituted by a resolution of the House as soon as possible.

Staff Relations and Welfare

The per capita expenditure on staff welfare increased from Rs 138 in 1965-66 to Rs 175 in 1969-70. The cost of medical and health services alone, which was Rs 15 92 crores during 1968-69, rose to Rs 17 08 crores during 1969-70. It is expected to rise further to Rs 17.80 crores in 1970-71.

During 1969-70, more than 6,000 staff quarters were constructed bringing the total number at the end of the year to more than 5 lakhs. Total investment by the end of 1970-71 on staff quarters excluding the cost of land will rise to about Rs 200 crores.

Other welfare and recreational facilities provided to the railway employees include holiday homes, institutes, clubs and playgrounds. Over 3,400 employees availed of the facility of 21 holiday homes during 1969 70.

I am glad to say that relations with organised labour during the year have continued to be cordial and satisfactory. On occasions when some irresponsible and unruly elements went on wild-cat strikes on trivial issues totally unconnected with their work, the two federations acted as responsible trade unions and helped to restore normalcy. The Permanent Negotiating Machinery functioned well at all levels. It helped to resolve a large number of staff problems and produced satisfactory results. The House may be aware that an Arbitration Tribunal had been set up sometime ago to consider certain matters on which agreement could not be reached with workers' federations. The tribunal has already made certain recommendations which are in the process of implementation.

This year has been a year of some difficulty and set-back for the railways. Railway properties have suffered damage at the hands of criminals, extremists and political demonstrators. The railways have been subjected to vicarious attacks from those who want something or the other from the central or state government. These strains and stresses have not cowed down the spirit of service of those who are running the railways. They have exhibited commendable courage and have done their duty to the nation. In the ultimate analysis, it is not coal, oil or electricity that runs the trains, but the spirit of dedication of the railwaymen. They have promised continued service and co-operation. Therein lies the hope of improving not only the efficiency but also the finances of the railway administration.

Permit me, Sir, to thank you and the House for the patient hearing given.

Prospectus Announcement

THIS IS AN ANNOUNCEMENT AND NOT A PROSPECTUS AND PERSONS INTERESTED ARE REQUESTED TO APPLY FOR A COPY OF THE PROSPECTUS FOR FULL DETAILS FROM THE COMPANY'S REGISTERED OFFICE, BANKERS TO THE ISSUE, MANAGING BROKERS, BROKERS AND UNDERWRITERS NAMED BELOW.

Issue of 1,00,000 "E" Class Debentures of Rs. 100 each at par

BOMBAY SUBURBAN ELECTRIC SUPPLY LIMITED

(Incorporated on 1st October, 1929 under the Indian Companies Act, VII of 1913).

REGISTERED OFFICE: 5, Graham Road, 4th Floor, Ballard Estate, Bombay-1.

SHARE CAPITAL.

AUTHORISED:

		Rs.
2,50,000 Shares of Rs. 100 each.		2,50,00,000
2,50,000 Equity Shares of Rs. 100 each.		2,50,00,000
		5,00,00,000

ISSUED, SUBSCRIBED AND PAID-UP:

1,75,000 Equity Shares of Rs. 100 each fully paid.		1,75,00,000
83,679 Equity Shares of Rs. 100 each fully paid converted from 7% "B" Class Convertible Debenture Loan.		83,67,900
50,000 Equity Shares of Rs. 100 each Rs 75 called up as on 31-10-1970 Rs. 37,50,000 (Balance of Rs. 25 since called up, making the Equity Shares of Rs. 100 each fully paid). Less: Calls in arrears as on 31-10-1970	Rs. 11,500	37,38,500
		2,96,06,400
75,000—9.5% Cumulative Redeemable Preference Shares of Rs. 100 each fully paid		75,00,000
		3,71,06,400

PRESENT ISSUE:

1,00,000—8% (Subject to tax) "E" Class Debenture of Rs. 100 each at par for cash PAYABLE in full on applica-tion.

BOARD OF DIRECTORS:

Name	Address	Occupation
Mr. Ramakrishna Parmeshwar Aiyer.	No. 581, 18th Road, Khar, Bombay-52.	Business Executive.
Mr. Ambalal Kilachand.	95, Napean Sea Road, Bombay-6.	Merchant.
Mr. Navnitlal Chunilal Javeri.	215, Marine Drive, Bombay.	Merchant.
Mr. Dhunjishaw Pestonji Ruttonji Cassad.	"Shirin Lodge" Byramji Town, Nagpur-1.	Business.
Mr. Himatlal Kantilal Shah.	"Kantilal House", 14, New Queen's Road, Bombay-4.	Merchant.
Mr. Jashwant Pittamberdas Thacker.	"Asha Mahal", 46-B, Pedder Road, Bombay-26.	Solicitor.
Mr. Babubhai Laljibhai Kapadia.	25, Turner Road, Bandra, Bombay-50.	Business.
Mr. Bhagwandas Chhaganlal Randeria.	175-A, Gujarat Society, Sion, Bombay-22.	Service.
Mr. Shantaram Dwarkanath Deshmukh.	7, Bank House, 156, Backbay Reclamation, Bombay-20.	Service.
Mr. Vishnu Gopal Bapat.	16, Bel-Haven, 23, New Marine Lines, Bombay-20.	Chief Electrical Engineer, Govt. of Maharashtra.

SECRETARY:

Mr. Arvind Yeshwant Pinge,
"Sowbhagya" Flat No. 2,
S.K. Bole Road,
Bombay-28.

UNDERWRITERS :

Name and address:	Amount Underwritten: Rs.
(1) Life Insurance Corporation of India "Yogakshema", Jivan Bima Marg, Bombay-20.	25,00,000
(2) Unit Trust of India, Bombay Life Building, 45, Veer Nariman Road, Bombay.	25,00,000

(3)	Champaklal Devidas, Agakhan Building, Dalal, Street, Fort, Bombay-1.	15,00,000
(4)	The Andhra Bank Ltd. 18-A, Hamam Street, Fort, P.O. No. 1114, Bombay-1.	10,00,000
(5)	The Vijaya Bank Ltd. Parsee Bazar Street, Fort, Bombay-1.	10,00,000
(6)	The Bank of Karad Ltd. 82, Nagindas Master Road, Commonwealth Building, Fort, Bombay-1.	10,00,000
(7)	D.S. Purbhoodas & Co. Stock Exchange Building, Apollo Street, Bombay-1.	5,00,000
		1,00,00,000

BANKERS TO THE ISSUE:

(1) United Commercial Bank, Ucobank Building, D.N. Road, Bombay-1.

(2) Bank of Baroda, Apollo Street, Bombay-1.

(3) Bank of India, 70-80, Mahatma Gandhi Road, Bombay-1.

(4) The Vijaya Bank Ltd. Parsee Bazar Street, Fort, Bombay-1.

(5) The Andhra Bank Ltd. 18-A, Hamam Street, Fort, P.O. No. 1114, Bombay-1.

(6) The Bank of Karad Ltd. 82, Nagindas Master Road, Commonwealth Building, Fort, Bombay-1.

MANAGING BROKERS.

Champaklal Devidas,
Agakhan Building,
Dalal Street,
Bombay-1.

BROKERS TO THE ISSUE. :

BOMBAY.

1. Champaklal Devidas, Agakhan Building, Dalal Street, Bombay-1.
2. R.P. Shroff & Sons, 8, Stock Exchange Building, Apollo Street, Fort, Bombay-1.
3. D.S. Purbhoodas & Co., Stock Exchange Building, Apollo Street, Fort, Bombay-1.
4. Lewis & Jones, Bank of Baroda Building, Apollo Street, Fort, Bombay-1.
5. Valji Bhimji, Old Stock Exchange Building, Dalal Street, Fort, Bombay-1.
6. Batlivala & Karani, Union Bank Building, Dalal Street, Fort, Bombay-1.
7. Narandas & Sons, Union Bank Building, Dalal Street, Bombay-1.
8. Dhirajlal Maganlal Purshottamdas, Stock Exchange Building, Apollo Street, Fort, Bombay-1.
9. M/s. Keshavdas Pranjivandas, 148, Stock Exchange New Bldg. Apollo Street, Fort, Bombay-1.
10. Devakaran Nanjee & Co., 31, Stock Exchange Building, Apollo Street, Fort, Bombay-1.

AHMEDABAD.

1. Messrs. Chinubhai Chimanlal Dalal, Fatehbhai's Haveli, Ratanpole, Ahmedabad-1.

CALCUTTA.

1. Place, Siddons & Gough (Pvt.) Ltd., 6, Lyons Range, Calcutta-1.
2. Stewart & Co., 14, India Exchange Place, Calcutta-1.

DELHI.

1. Vinod Kumar & Co., A-6, Connaught Place, New Delhi-1.
2. Harbans Singh Mehta & Co., 33, Regal Building, Parliament Street, New Delhi-1.
3. H.P. Mehta & Co., Akash Deep, 3rd Floor, Barakhamba Road, New Delhi-1.

MADRAS.

1. Paterson & Co., 11/12, Second Line Beach, Madras-1.

Location of the Company's Undertaking:

The Company is engaged in the distribution of electricity to consumers within its Licensed Area of Supply, which comprises portions of the Island of Salsette in the South Taluka of Bombay Suburban District and North Salesette Taluka of Thana District, the overall area is approximately 362.60 Sq.Km. The Electricity distributed to consumers is purchased in bulk from The Tata Hydro Electric System. Bulk supply is received at several points within the licensed area, and is distributed to consumers through a net-work of distribution mains and sub-stations.

Objects and Proposed Activities:

The Company does not intend to acquire any new business out of the proceeds of the issue but will utilise the same for financing capital expenditure on development of power distribution facilities within the Licenced area of Supply of the Company.

Date of Opening and Closing of Subscription List:

The subscription list of Debentures will open at the commencement of banking hours on the 2nd day of April, 1971 and will close at the close of banking hours on the 26th day of April 1971 or earlier at the discretion of the Directors but not before the close of banking hours on the 7th day of April 1971.

Prospectus and Application Forms:

Application forms along with copies of the prospectus can be had from the Registered Office of the Company as well as from the Underwriters, Managing Brokers and Brokers, whose names are mentioned above and from the offices of the Bankers to the issue at the places mentioned below.

1. United Commercial Bank, Bombay, Ahmedabad, Bangalore, Calcutta, Delhi, Hyderabad, Indore and Madras.
2. Bank of Baroda, Apollo Street, Bombay-1.
3. Bank of India, 70-80, Mahatma Gandhi Road, Bombay-1.
4. The Vijaya Bank Ltd., Parsee Bazar Street, Fort, Bombay-1.
5. The Andhra Bank Ltd., 18-A, Hamam Street, Fort, P.B. No. 1114, Bombay-1.
6. The Bank of Karad Ltd., 82, Nagindas Master Road, Commonwealth Building, Fort, Bombay-1.

THE STATE TRADING CORPORATION OF INDIA LTD.

PROVISIONAL RESULTS—YEAR ENDED 31ST MARCH 1971

Statement by Chairman, Prakash Tandon

HIGHLIGHTS

Rs. Crores

	Last Year 1969-70 (Actual)	This Year 1970-71 (Provisional)	Next year 1971-72 (Budget)
SALES			
Exports	55.10	70.00	90.00
Imports*	102.60	140.00	175.00
Domestic	5.40	5.00	5.80
Total	163 10	215.00	270.80
PROFIT			
Gross Trading Profit Including Commission & Other Receipts	16.75	16.54	13.71
Less Export Losses	1.78	5.50	1.69
Trading Profit	14.97	11.04	12.02
Less Total Costs	4.50	5.10	5.19
Profit Before Tax	10.47	5.94	6.83
Less Tax	7.55	3.50	4.10
Profit After Tax	2.92	2.44	2.73
SHAREHOLDERS FUNDS			
Equity	5.00	7.00	7.00
Reserves	11.80	10.00	11.30
Total	16.80	17.00	18.30
WORKING CAPITAL			
Stocks	17.90	20.00	20.00
Debtors	20.50	19.00	20.00

*Excludes Fertiliser imports of Rs. 47.5 crores transferred to M.M.T.C. with effect from 1-1-1970.

Not so long ago, we used to take the customary 6 months and more to complete our Annual Reports and Accounts; our new system now not only enables us to complete them in 2 months, but to quite accurately estimate our results on 1st April for the year ended 31st March. As part of our concept of Accountability we present them speedily to all concerned to be followed by our Annual Report and Accounts in due course.

Our Performance Budget for 1971-72 was released yesterday; and, relieved of the burdens of last year, our management can now concentrate upon its implementation starting today.

This new system of accounting, we divide into 3 functions:

—Maintenance Accounting

—Management Accounting

—Responsibility Accounting

It achieves:

—An Annual Performance Budget

—A Mid-year Review

—A Weekly Sales, Orders and Stock Statement

— A Monthly Review and Profit & Loss Account

— A Quarterly Review and Audited Profit & Loss and Balance Sheet

— The Annual Report and Accounts

1970-71 was a good year. Exports rose by 27% ; imports by 37%.

In 1971-72, exports are expected to rise by 28% and imports by 25%. Exports now account for half of the value of our imports.

We had envisaged even in the previous year, in the Chairman's speech on the Annual Accounts, that due to pressures for reducing our prices and margins, there would be a reduction in profitability.

While gross trading profit including commission and other receipts at Rs. 16.54 crores was maintained at last year's level, our developmental export losses at Rs. 5.5 crores were above last year's Rs. 1.8 crores. Next year, howevr, we hope to cut them back to Rs. 1.7 crores, and aim at making exports near self sustaining. However, we are taking a conservative view on next year's gross trading profit at Rs. 13.71 crores, though we hope to exceed it.

The Total Costs to Sales ratio has been progressively coming down. It was 2.8% last year, 2.4% this year and is budgeted at 1.9% next year. In money terms the Total Costs this year were Rs. 5.1 crores against Rs. 4.5 crores last

year. The rise of Rs. 60 lakhs was accounted for largely by rise in wages, the new office accommodation for headquarters in Delhi, new foreign offices and higher insurance and interest charge. Next year the Total Costs including all overheads, ware housing, interest charge etc. will go up very little, to Rs. 5.2 crores; and we will pick up again the virtually stationary trend of costs in recent years; increases being taken care of by savings.

The following statement shows how the Divisions fare in their export effort:—

EXPORTS

	Rs Crores			
	1969-70 Actual	1970-71 Latest Estimates	As % age of 1969-70	1971-72 Budget
Aricultural Products	10.98	14.00	127.50	10.50
Chemicals	3.66	6.00	163.93	9.00
Engineering	8.92	9.00	100.90	10.50
General Products	5.85	6.00	102.73	7.00
Leatherware	3.97	6.00	151.14	8.00
Railway Equipment	0.70	..	..	12.00
Textiles	21.07	29.00	137.59	33.00
Total	55.15	70.00	126.93	90.00

Agricultural Products and Textiles did particularly well, while General Products had to stage a recovery from the loss of its important component of human hair trade, hit by the new synthetic hair. Chemicals did very well and hope to be an important exporter. Leatherware showed a healthy rise from 1 million pairs of shoes last year to an estimated 1.5 million; hoping to show yet further expansion both in quantity and world coverage.

Railway Equipment Division did not manage to actually export anything during the year, but enough is in gestation to show results next year. Its search for new orders gathered momentum and a contract for 3600 wagons, our largest ever, was won in Yugoslavia. Engineering Division's export pace slackened a little, but we hope to pick up in the coming year, particularly if steel availability improves.

IRMAC, the new Industrial Raw Materials Assistance Centre has got off the ground and expects a growing tempo.

Imported Cars Department continues to emphasise service to customers and profitability for the exchequer.

Manpower was well maintained, and the only increases were in management, accounted for partly by some recruitment of specialist personnel from outside and partly by the many promotions from the staff within. We are constantly endeavouring through training at all levels to upgrade our staff and befit them for higher responsibilities and promotions.

Personnel Division is trying to evolve a progressive policy and a continual dialogue with the staff, with whom relations were generally good. The new head office at Chandra Lok was an attempt at providing modern and efficient working and business environment of an international standard but at Indian costs. Training continued its emphasis on management and staff development through in-company and outside courses, especially with the help of universities and management institutions.

Coordination maintains a contact with our associates and our foreign operations. Consequently relations with Indutry and Trade and the service we render continue to improve.

Management Services Division now consists of economics, statistics, OR and market research, and is becoming the eyes and ears of our management, providing it with advice and information to help sharpen up decision-making.

Quality Control made its contribution to develop vendor-rating, an assay of the capability of our associates, and a quality conciousness in the Corporation and among its associates.

Finance Division's contribution was particularly special, and worth mentioning is the setting up of its new Credit, Funds Management and Contracts Services.

Our Cashew subsidiary got well off the ground and during the period from November 1970 to February 1971 imported over 41,000 tonnes of raw nuts. It expects to import another 30,000 tonnes during March, making a total of over 71,000 tonnes compared with 68,000 tonnes in the corresponding period last year.

Our subsidiary, Handicrafts & Handlooms Exports Corporation of India Ltd. also had a good year; exports increased by 50% from Rs. 2.25 crores to Rs. 3.45 crores.

Working capital continued to be tightly controlled, and the ratios of stocks to sales and debtors to sales dropped from 11% to 9.3% and from 12.6% to 8.9% respectively. Next year, there would be a further reduction to 7.4% for each.

We continue to give our increased dividend of 20% (previously 10%) on the equity capital of Rs. 7 crores (previously Rs. 2 crores) enlarged through three successive bonus issues. The total dividend was therefore Rs. 1.4 crores per annum (previously Rs. 20 lakhs); what is more, it is now paid quarterly to our shareholders (previously annually).

While happy with the improvements that we have been able to induec in the Corporation's working, we are only too aware of our shortcomings and the long way we have yet to go to reach the best standards of world trade organisations operating under highly competitive conditions.

STATE BANK CHAIRMAN'S SPEECH

IMPORTANCE OF GUIDELINES FOR CREDIT FLOW

R. K. Talwar on dilemma facing banks

Shri R. K. Talwar, Chairman of the State Bank of India, has highlighted the need for credit planning and clear guidelines to the banking system as regards the appropriate priorities in lending.

In his speech at the Sixteenth Annual General Meeting of the shareholders held in Bombay on Friday, the 26th March 1971, he said :

Let me extend a warm welcome to you all to the sixteenth annual general meeting of the State Bank of India. The annual report, including the balance sheet as on the 31st December 1970 and the profit and loss account for 1970, is already in your hands. As you will have observed, during the year the Bank's profit has somewhat dipped in spite of a substantial increase in the volume of business handled. I cannot pretend I am not concerned over it though I am certainly not perturbed. The lower profit is due mainly to the increased operational costs during the year. We hope our working will show better results in the current year. I believe that even while reorienting their operations for subserving the social good, or rather for that very purpose, the commercial banks, whether in the private or public sector, must continue to make increasing profits year after year and thus strengthen themselves and the country's economy.

Credit Expansion

I would like to take this opportunity to share with you some thoughts on the large credit expansion witnessed over the last three years in the banking system. An indisputable fact is that this large credit expansion has been brought about mainly in pursuit of a deliberate public policy. It was on the assurance of liberal support from the central banking authority that the commercial banks were able to extend credit in these years on a significant scale to agriculture, small scale industry and small businesses. This was entirely in accord with the aspirations of the weaker sections of the community, which were attached greater importance than ever before. A major portion of the credit expansion should be attributed to the reorientation of bank lending operations in the wake of this wlecome change.

Another area in which credit expansion has taken place over the last few years with the full support of the Reserve Bank of India, or because of it, relates to the food procurement operations — and, to an extent, also the fertiliser distribution operations— of the State governments and their agencies and the Food Corporation of India. Whether the financing of these operations should have been its legitimate concern or not, the banking system was in a position to undertake this activity mainly due to the refinancing support available from the Reserve Bank of India. There was also an unprecedented demand for credit from the sugar industry. Production in this industry reached record levels for two successive years, and the prospect seems the same for the third year also. Due to several factors, over which the industry has no control, the offtake of sugar is very slow and the banks are obliged to provide finance to enable the industry to carry the large stocks.

It is in this context that we should view the recent monetary restraints, and particularly the stringent net liquidity requirements designed to discourage commercial banks' borrowings from the Reserve Bank. It should go without saying that I am entirely at one with the objective of monetary policy, namely to contain inflationary pressures, on the need for which there can be no two opinions. I do not propose to make an extensive excursion into the realm of economics, nor to participate in the controversy over the efficiency of the monetary weapon. Wherever the real roots of inflation may lie, once the inflationary trends set in, no central banking authority can remain a silent spectator without taking such steps as lie within its powers. Yet, I feel, I must draw attention to the predicament in which commercial banks find themselves today. This arises mainly from the modification of refinance facilities, substantially on the basis of which the credit expansion had taken place.

The principle that banks should lend and invest no more than what they possess by way of deposits, and use the Reserve Bank of India only as a lender of the last resort, is indeed unexceptionable. However, a relevant point here is that liberal refinance was made available to the banks with the express purpose of ensuring that the new shift in the lending policy should not come in the way of the medium and large-scale industries obtaining finance for their legitimate production needs. This support from the Reserve Bank enabled the banks to go all out in extending credit in pursuance of public policy and simultaneously continue to meet other legitimate credit demands. With the curtailment of refinance facilities in the context of inflationary trends, the banks will find it difficult to meet the aggregate demands for credit from their own resources immediately. The squeeze must be felt somewhere and this is where the banks find themselves in a fix.

Credit Planning Needed

Their dilemma is that large and medium scale industries cannot be denied assistance without detriment to industrial production, and the weaker sections of the community cannot be denied assistance without a serious set-back in public policy. Surely the decision cannot be left to the discretion of each individual bank and the situation calls for credit planning and clear guidelines to the banking system as regards the appropriate priorities in lending. I do not suggest there has been no credit planning as such so far; but this planning has merely been directional in nature without bringing within its compass the quantitative allocation of the total flow of credit. What I have in mind is an assessment of the optimum expansion in bank credit that is permissible, and its apportionment among various sectors and sub-sectors of the economy so as to accord with the Plan priorities. With the awareness of the limited resources, I hope that such credit planning will receive the urgent attention that it deserves.

Deposit Rates

Varying views have been expressed in regard to the pattern of interest rates on the deposits in the country. One view is that for an accelerated growth in deposits there should be a substantial increase in these rates. I doubt very much whether deposits, at least in this country, can be considered interest elastic, but this is no reason why the bank depositor should be given a raw deal. Recently there was an increase in the Bank Rate from 5 to 6 per cent. The effect of an increase in the Bank Rate is a rise in the interest rate structure both for deposits and advances. In our country, however, the effect has become lop-sided, in that while there has been an all round increase in the lending rates, the deposit rates have not correspondingly moved up. Whatever may be the objective of increasing the lending rates, the proportionate benefit ought to be passed on to the bank depositor, who should get what is legitimately his due.

Financial Institutions

In this context I would also like to draw attention to the invidious distinction in the matter of interest rates as between individual depositors and some large financial institutions; it is indeed ironical that the individual depositors should be clearly at a disadvantage vis-a-vis such institutions. In the case of a bank depositor, the shorter the period of the deposit, the lower his return by way of interest. A

financial institution like the Life Insurance Corporation of India or the Unit Trust of India, on the other hand, may operate in the inter-bank call money market and command a high return — as disproportionately high as 11 to 12 per cent—on its day-to-day lendings. When these financial institutions were permitted to operate in the inter-bank call money market, even though they are not banks, their entry was justified on the ground that this would improve the liquidity of the banking system. I am not sure that this hope has been fulfilled, since the funds offered in the call money market are mostly the funds which would in any case lie with the banking system and earn interest at the rates applicable to the public. The only result seems to have been a diversion of funds from low-yielding fixed and short-term deposits to high-yielding call deposits, with a consequent rise in the cost to the banking system. The position is more or less the same in the case of the co-operative banks. Some of these banks, taking advantage of their exemption from the deposit rate directives of the Reserve Bank of India, have succeeded in extracting a stiff price from the banking system for their deposits. I urge that not only on considerations of fairness but also of wider issues of investment, individuals and institutions should be put on an equal footing in the matter of return on surplus funds.

Consolidating Gains

As stated earlier, commercial banks have lent to priority sectors and particularly to agriculture at a fairly fast rate. The pace of their branch expansion programme has also been very fast. Severe strains have, therefore, developed on the organisational and trained man-power resources of the banking system as a whole. The understanding as regards the concept of lending to the priority sectors has not been uniformly clear at all levels and the stipulated criteria in regard to assessment of applications have not been strictly adhered to. Measures will have to be taken to consolidate the gains in respect of advances to the priority sectors as well as opening of new branches. The pace of progress in these two spheres must be related to the growth in qualitative and quantitative terms of the organisational infra-structure, and vice versa. For this purpose, it will be necessary for the commercial banks to realign their organisational patterns so that they may regain their poise and proceed with renewed confidence and vigour.

Agricultural Finance

Of the priority sectors, agriculture poses very hard problems. The credit needs of this sector in the next three or four years seem to be as high as Rs. 4,000 crores. Meeting these needs is an enormous task. Having regard to the resources available, the role of the commercial banks in this field can only be supplementary, at any rate in the immediate future; the responsibility must continue to rest mainly with the co-operatives. It will be imperative for commercial banks to ensure that the credit that has already been extended, or is being extended, is put to the most effective use. This presupposes the creation and strengthening of a machinery which can properly evaluate the proposals at the initial stage and effectively supervise afterwards the utilisation of credit at different stages.

It will be difficult to create such a machinery at every office of the Bank. The Bank's strategy will, therefore, be to move away from scattered lending and shift the emphasis towards intensification of the area approach. Efforts will be directed towards formulation of a programme of banking propositions in respect of a definable area consisting progressively of a village, a cluster of villages, a taluka or a few talukas, gleading to integrated and harmonious development covering the various facets of the agricultural economy of that area. We believe that only through a concentrated effort in selected areas could the scarce resources of the banking system be put to the optimum use. To this end we propose to select throughout the country about 150 centres, in course of time, where we shall strengthen our offices so as to be able to take both the initial and follow-up action in dealing with the loan applications. In selecting these centres, we will be guided by consultations with the State authorities, and have a bias in favour of areas with a preponderance of small farmers, particularly where Small Farmers' Development Agencies are being set up and in districts where we have assumed the lead role. Elesewhere our efforts will, subject, of course, to adequacy of resources, be confirmed to the financing of only those farmers who come to the Bank on their own and have their land situated not more than ten miles from the nearest office. Here again the Bank's efforts will be to avoid scattered lendings, financing being restricted to a village or a cluster of villages.

Organisational Structure

Last year I referred to the inadequacy of the Bank's organisational structure to meet the problems of control posed by the growing number of the Bank's offices and our desire to have the entire matter studied by a team of management consultants. The services of the Indian Institute of Management, Ahmedabad, were engaged for this purpose and the study has now been completed.

The consultants have suggested a plan of reorganisation to meet the problems caused by the rapid growth and the change in the nature of business of the Bank during the last few years. Broadly, it has been suggested that the work at the larger branches should be organised on the basis of customer-groups to assist in focussing attention on the needs of different types of customers. Handling of the complete range of banking needs of a customer in one department would improve the quality of service which customers expect from the Bank. It has also been suggested that decision-making should be further decentralised not only to expedite the customer's work but also to create a climate for managerial development in the supervisory cadres.

The consultants have recommended that system of annual performance-budgeting in regard to deposits, costs and profits should be introduced at each office to enable systematic development of business in each market segment in consonance with the Bank's policies. It has been suggested that management control based on such a scheme of annual planning would provide scope for timely remedial action, at the same time enabling the operating staff to know what is expected of them. Detailed suggestions have also been made to bring about certain far reaching changes at the Local Head Offices and Central Office with specific reponsibilities in relation to the management needs of the various aspects of the Bank's business. These recommendations are now being examined.

Staff Relations

It is customary at such annual meetings for chairmen to thank members of the staff for their co-operation during the year. We are fortunate in having been endowed with dedicated employees at all levels, who keep their institution going and prospering. They are our mainstay. I must offer my sincere thanks for their co-operation. We successfully concluded negotiations for major wage settlements both with officers and the junior staff during the year. These settlements have been reached on the basis of major benefits to the staff. It will now be the responsibility of the management and the unions alike to ensure that the return to the organisation in terms of higher efficiency and of assumption of greater responsibilities by the staff would be commensurate with these benefits resulting in greater customer satisfaction.

If I may turn to the banking industry as a whole, the picture of staff relations is none too encouraging. The industry is up against a bewildering variety and multiplicity of disputes. The conduct of negotiations is bedevilled by intra-union and inter-union pressures. The ultimate sufferer is the customer, who is the reason for the very existence of the banks. Indeed, the irony is that the greater the suffering of the customer, the greater the pressure on the managements to settle. They become helpless participants in deals where not reason but power to dictate terms becomes the sole arbiter; and the settlements while apparently solving one dispute seem to be sowing the seeds of another dispute in another wing of the same institution or in another institution. We never seem to reach the end of the road. I can only voice the hope that it will be possible before long to evolve a more suitable machinery for the settlement of disputes so that the atmosphere may become less and less vitiated in course of time and greater harmony may prevail between managements and unions. Only then will the customer receive more courteous, speedier and cheaper service, to which he is entitled.

I wish to place on record our sense of high appreciation of the valuable services rendered by Shri K.T. Desai, who relinquished his office as Vice-Chairman after the completion of his term of appointment on the 7th June 1970. I also thank the Members of the Local Boards and the Directors on the Central Board who ceased to be on these Boards during 1970 for their able guidance and direction.

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PAKISTAN AGAINST ITSELF

THE MOVEMENT for Bangla Desh is an internal affair of Pakistan only in the narrowest technical sense. The massive mandate received by the Awami League and its leader, Sheikh Mujibur Rehman, in a national election held specifically for the purpose of organising a civil government for taking over power from an admittedly provisional military regime and the attempt of the latter to frustrate the fulfilment of the democratic process by the use of armed force has created a situation which cannot be spelt out in the alphabet of conventional legality. Although men in the formal uniform of the Government of Pakistan are engaged in putting down with cruel savagery a civilian population risen in revolt, this struggle is essentially a civil war since the armed forces of the junta in Pindi no longer represent the national army of Pakistan, but only the butcher-gang of one section of Pakistan as against another, much larger section.

Again, this civil war has obvious international implications, particularly in terms of peace in these parts of Asia. Already India, the Soviet Union, the USA and communist China have, in their several ways, expressed interest, if not declared their stakes, in the course of events in what was East Pakistan until the other day. Thus the movement for Bangla Desh has, in all essential respects, been internationalised and it is therefore only logical that steps should now be taken in international terms to end the conflict and restore peace so that Pakistan may resume the interrupted processes of its return to popular government.

Unfortunately, the United Nations, which is the natural authority for initiating and guiding any such international intervention has once again displayed its utter helplessness. Its Secretary-General, U Thant, has plumbed new depths of futility in his inglorious career by remaining a bemused spectator of the massacre of an entire community by a military regime claiming and enjoying the right to represent Pakistan in the United Nations. Thus has been destroyed finally any moral authority the UN might have retained or personal dignity its chief might have been left with after the continuing tragedy of Vietnam or the muted memory of Biafra. It is indeed a terrible thought that neither the UN itself nor any of its members-countries individually has so far thought it possible or worthwhile to place on the agenda of that body Pindi's resort to barbarous repression in dealing with the movement for Bangla Desh.

So much for an international authority which has been created in the faith that it would function as the conscience of the world. This leaves a situation in which the lives or even the right to live of the millions involved in the movement for Bangla Desh have come to be dependent on the discipline which the governments of the USSR and the USA individually or jointly may be able to enforce on the men in Pindi. Both Moscow and Washington have publicly disclosed their strong objection to a continuance of Pindi's military action against the movement for Bangla Desh and it may be assumed that their silent protests or warnings to Gen. Yahya Khan and the men behind him have been much stronger than their published declarations. Now that Pindi's bid for a quick military decision has not succeeded, these two big powers, which have never hestitated to affirm their rights to the role of peace-keepers of the world, have been given scope and time to dictate decisively to the junta.

Our country and its government have clearly been placed in a situation of the greatest delicacy and difficulty by Gen. Yahya Khan's employment of massive military force for destroying the movement for Bangla Desh. Our own national interest clearly lies in peace being restored in Pakistan under such conditions as would enable the accredited leaders of the majority of its population to assume authority for the government of the country in accordance with settled democratic principles and procedures. Although popular emotions in our country may tend to cloud the issue, it is the duty of our government to keep its own vision clear and explore or assist in exploring all possible means of stopping the massacre of innocents and restoring peace in Pakistan. It is to the credit of our Prime Minister, her advisers and her administration that so far they followed this straight and narrow path with immense dignity, strength and restraint. It is very much in the ultimate interest of all the people of this sub-continent that this country and its government should continue to remain firm in this manner and thus be true to our national interest as well as the obligations which all governments and peoples owe to the international community.

Plan Lags and Buoyant Revenues

THE INTERIM budget estimates for 1971-72, which were presented to Parliament by the union Finance Minister, Mr Y.B. Chavan, for securing a vote on account, might be said to have no special significance as there were no proposals for raising additional resources through fresh taxation. The regular budget will be formulated only in the coming weeks and brought before Parliament some time in May. As Mr Chavan himself has indicated that there will be a further widening and deepening of the tax base for increasing the tempo of Plan expenditure, there is anxiety to know in stock market circles and elsewhere what will be the quantum of additional taxation and what effect will it have on personal incomes and corporate profits.

While there is bound to be considerable excitement on the budget day in May, the question is whether Mr Chavan is under obligation to raise additional resources in a big way when it has been amply demonstrated by the developments in the past two years that there is now no constraint due to the inadequacy of resources and the main problem is one of speeding up work on Plan projects in the central sector. It has now been indicated that even with an increase in Plan expenditure in 1970-71 in the revised estimates by Rs 180 crores as compared to the revised estimates for 1969-70, there will still be a significant shortfall in relation to the budget provisions. It has, therefore, been decided to maintain the allocation for Plan schemes in the central sector at Rs 1,195 crores—the level of the previous year. Even if this target was fulfilled, there would still be an increase in expenditure as compared to 1970-71 by about Rs 96 crores.

The central government is perhaps experiencing difficulty in executing Plan schemes as the desired progress has not been achieved in the construction of the Bokaro steel project, fertiliser units and other industrial schemes. It is necessary to point out here that out of the budgetary allocations in the revenue and capital accounts for Plan purposes, nearly 50 per cent is accounted for by industrial and mineral projects. There is, therefore, bound to be a shortfall in outlays if there is slow progress is the industrial sector. In the revised estimates for 1970-71 there was a drop of Rs 96 crores mainly in the capital budget. This shortfall has again taken place in spite of the fact that there was an increase in the aggregate outlay by Rs 180 crores as compared to 1969-70.

The financial position did not, therefore, present any problem for the exchequer in 1970-71 even with a higher level of non-Plan expenditure. Actually, with a buoyancy of tax revenues and satisfactory capital receipts, there was an increase in the revenue surplus to the highest level of Rs 198.14 crores in the revised estimates (since 1966-67) from the budget estimate of Rs 137.81 crores for 1970-71. The overall deficit, however, will be marginally higher at Rs 229.57 crores against Rs 226.94 crores. It is unlikely that this deficit will materialise if the experience of 1969-70 is any guide. The accounts for that year have now been finalised and an analysis of the latest data discloses that actual tax revenue was higher at Rs 2,201.46 crores against the revised estimate of Rs 2,110.37 crores. Non-tax receipts also were slightly higher at Rs 865.63 crores against Rs 855.11 crores. As there were no upsets in capital receipts and there was a big decline in expenditure, the overall deficit was only Rs 45.53 crores (accounts) against the estimate of as much as Rs 279.17 crores (revised) and Rs 290.04 crores (budget). An increase in revenue receipts and a decline in capital expenditure even with a slight shortfall in capital receipts were mainly responsible for the nearly balanced character of the 1969-70 budget.

It will, therefore, be reasonable to presume that there may be a repetition of the happenings of 1969-70 in 1970-71 as well, particularly as Mr Chavan has indicated that there has been a lag in Plan expenditure and tax revenues have been quite encouraging. It will not be surprising if there was even no overall deficit when the accounts are finalised for 1970-71 as for several months the central government has been unable to prevent an accumulation of its cash balances with the Reserve Bank. These stood at Rs 373.74 crores on March 19, 1971 against only Rs 88.15 crores on April 3, 1970. If there could be a small overall deficit in 1969-70 even with a net slight drop in cash balances because of lower Plan outlay, in 1970-71 with larger revenues, lower capital expenditure and a building up of cash balances, it stands to reason that the overall deficit should be nominal or there may even be an overall surplus for the first time in the past decade and more. It is also necessary to point out here that the overall deficit of 1969-70 was the lowest for several years as between 1962-63 and 1968-69, these deposits exceeded Rs 150 crores every year, the maximum reached being Rs 295.29 crores in 1966-67.

The budget estimates for 1971-72

postulating a revenue surplus of Rs 114.20 crores and an overall deficit of Rs 240.30 crores may well prove to be an over-estimate so far as the overall deficit is concerned and an under-estimate in respect of the revenue surplus. Since the budget estimates for 1971-72 have been based on the revised estimates for 1970-71, it will be accepted that any improvement in the final position for the latter year will be reflected in a bigger revenue surplus and a smaller overall deficit. The Finance Minister need not, therefore, be worried about mobilising additional resources and creating needless difficulties for the tax-payer as there will be no inadequacy of financial resources and the main task will relate to the streamlining of government machinery for utilising Plan allocations and making the best use of existing facilities. There will also be a more impressive growth in tax and no-tax revenues and capital receipts if there is an increase in industrial production with a more efficient functioning of the public sector undertakings and a larger demand for consumer and durable goods on account of a higher level of purchasing power of the agricultural income groups.

Towards Cheaper Wheat?

NOTWITHSTANDING THE fact that its recommendations on procurement prices of foodgrains have not been accepted by the union government in recent past, the Agricultural Prices Commission (APC), in its report on the price policy for rabi foodgrains for the 1971-72 season, has again suggested that procurement prices for indigenous red wheat should be lowered to Rs 68 per quintal, from Rs 71 to Rs 74 fixed by the state governments last year, and those of Mexican and indigenous common white varieties to Rs 74 per quintal, from Rs 76 in the last season. The commission feels that unless procurement prices are lowered, the issue price for wheat for distribution through governmental agencies will have to be raised by three rupees to Rs 87 per quintal if the government is not to incur any loss. This is because the component of cheap imported wheat in government releases, which has been progressively going down over the past three or four years, will be reduced to 40 per cent this year; last year this proportion came to 50 per cent. If both the issue and procurement prices are maintained at the last year's levels, the loss that the central exchequer would have to incur, it has been estimated, would exceed Rs 35 crores.

The preference of the APC for the scaling down of procurement prices is, indeed, based on sound premises. It points out that the raising of the issue price this year also after fairly sharp increases in the recent past — last year the issue price was put up by Rs 6 per quintal from Rs 78 to Rs 84 — would adversely affect the weaker sections of society for whose benefit the governmental distribution system has been designed. On the other hand, if the procurement prices are lowered, those affected will be primarily the more affluent among the agriculturists who have large land holdings and sizable marketable surpluses. These affluent sections, the APC feels, can have no objection to reduced procurement prices, for it is they who have benefited from successive raises in these prices since the mid-sixties.

The perceptible decline in the free market prices of wheat too is a valid argument for lowering procurement prices. With the meagre differential between the prices of wheat supplied by governmental agencies and those obtaining in the open market, the quality conscious consumers have been gradually shunning the fair price shops. This was the main reason for the decline in the offtake from governmental distribution agencies. If wheat prices tended to go down in the open market despite the shifting of the demand of the quality-conscious consumers, it is a clear indication of the fact that there is enough wheat to go round. As this year's output also is expected to be higher than last year's by about a million tonnes, in spite of inadequate rains, it should be evident that the last year's procurement prices were more than adequate. The downtrend in the open market prices has had no effect on the incentive to produce more. In the circumstances, the optimism of the APC that the lowering of procurement prices would not affect the spread of the green revolution does not appear to be misplaced. The APC has rightly pointed out that in the furthering of agricultural development in future, greater reliance will have to be placed on increasing the efficiency of cultivation and consquential reductions in the cost of farming rather than on artificial props to prices.

Apart from what the APC has said, the case for lowering procurement prices is indeed sound from the point of view of the overall price situation in the country, which, of late, has been causing no small concern. One of the basic reasons for the upswing in the general price level is the cost-push inflation practised by the government. If this can be avoided, the upward thrust on the price-line should be mitigated to a great extent. One of the sure ways of avoiding cost-push inflation is the containing of food prices, for food admittedly takes away a major slice of an average Indian's income.

The argument by some that the global experiences warrant maintenance of procurement prices over a sufficiently long period too does not seem to be valid at the present juncture. The procurement prices in our country have been successively raised in the sixties. The incentive to the farmer, thus, has been maintained for a sufficiently long period. It is time that the interest of the vulnerable consumer is safeguarded. In this connection, it must also be pointed out that the experience of other countries relates to support prices and not procurement prices. The support prices in an era of comfortable supplies obviously cannot be equated with procurement prices fixed for encouraging growth. The present apparently is the

Eastern Economist 25 Years Ago

APRIL 12, 1946

The Bretton Woods scheme has started working in a monetary environment which differs in certain significant respects from that existing during the inter-war period, particularly since the Depression. The stresses of the Depression steadily broke up the area of operation of the universal gold standard, until the world was broken up into a number of monetary blocs. Most of those monetary blocs no longer exist in a recognisable form. Germany, Italy and Japan have practically disappeared as predominant economic powers while France emerges with considerably reduced powers and pressing reconstruction problems. The old gold bloc as such no longer exists, but a new grouping of "difficult" or "hard" or "scarce" currencies is constituting itself. Meanwhile, although Great Britain finds herself saddled with new and onerous financial burdens, the sterling area itself has been much strengthened and put on a formal basis. Both India and Great Britain are original members of the Bretton Woods scheme. India has, therefore, to assess not only the compatibility of the sterling grouping with the Bretton Woods scheme, but also the importance of her continuing sterling affiliations in the new context of her expansionist economic programme.

time when we should think in terms of support prices instead of procurement prices. And support prices ought to be lower if for no other reason than to limit the funds being locked up.

The green revolution in wheat, it is admitted at all hands, has come to stay. The wheat grower is now fully aware of the benefits accruing from the application of science and technology to his operations. He can be depended upon to continue his efforts in this direction provided, of course, he is assured that the prices will not fall precipitately. To check prices from declining sharply is the function of support prices. Could it be hoped that political considerations which have stood in the way of any downward readjustment of procurement prices in the past, despite the expert advice of the APC, will now be relegated to a secondary position when the ruling party has been returned to power with a thumping majority?

With a view to putting the food policy of the country on a sound footing, it is, indeed, encouraging to note that the APC has reiterated its faith in the building up of an adequate buffer stock of foodgrains. Already at the end of 1970, a buffer stock of 3.4 million tonnes had been built up — one million tonnes more than at the end of 1969. If the procurement operations this year yield four million tonnes of rabi foodgrains as envisaged by the APC, we should be able to augment this buffer stock even with reduced imports. As wheat output this year is expected to be nearly one million tonnes more than last year, the procurement of four million tonnes may not be a difficult task, especially when the normal trade channels are nearly full thanks to successive good harvests in the a past three years. Last year, with much reduced stocks with the trade and a lower output, the procurement of wheat could exceed three million tonnes.

Sugar and Hard Times

THE STATEMENT of Mr A.P. Shinde, union Minister of State for Agriculture, in the Lok Sabha on March 31 regarding the arrears payable by sugar mills to cane-growers has caused both surprise and dismay in the industry circles. According to the minister, the arrears payable to cultivators for cane supplied in the current season were estimated at Rs 54.45 crores for the week ended February 28, 1971. The arrears for the 1969-70 season, of course, were significantly lower at Rs 4.31 crores. It follows that the industry owed the cane-growers at the end of February this year as much as Rs 58.76 crores which is not a small sum. A detailed analysis of these figures, however, shows that the arrears are not as large as made out by the minister and that the sugar industry alone is not responsible for the present state of affairs. A part of the blame must be borne by the government as well.

It is well-known that a majority of the sugar mills in Maharashtra and Gujarat are co-operative ventures and their payments for sugarcane are governed by the bye-laws of co-operative societies. If these factories are excluded, then the arrears for 1970-71 would come down to Rs 41 crores only. Again, the sugar factories are allowed a grace period of 14 days for the payment of sugarcane purchased from growers and it is estimated that nearly half of the outstandings fell within this period. It means that the total arrears for the 1970-71 season were no more than Rs 20 crores. The sugar mills would have been able to clear these arrears if adequate credit was forthcoming from banks and the levy prices were revised keeping in view the rising costs of the industry. The chairman of the Indian Sugar Mills' Association (ISMA), Mr S.K. Somaiya, recently impressed upon the Reserve Bank that unless increased bank credit was made available to the sugar industry, it would not be able to clear the arrears. But precious little seems to have been done by the authorities.

Besides inadequate availability of credit to sugar mills, the uneconomic price structure for the industry is a powerful reason for the present plight of this industry. Ever since the initiation of partial decontrol in sugar, the government had pursued the policy of fixing levy prices for the various zones in two stages. At the start of the crushing season, provisional levy prices were fixed on the basis of estimated recovery and anticipated duration of the crushing season. Near the close of the season, the levy prices were revised taking into account the actuals in regard to both the above-mentioned factors. Till the 1968-69 crushing season, this policy had operated to the satisfaction of all the parties concerned. In the 1969-70 season, however, the government exhibited extreme callousness to this industry as no final levy prices were fixed and almost all the sugar produced by mills was sold at provisional prices. It seems that the same policy would be followed this year as well since no final levy prices have been fixed so far even though data are available in regard to recovery as well as the duration of the crushing season.

A natural consequence of such a policy was to throw out of gear the operation of sugar mills in certain regions. Here is what Mr Somaiya told newsmen at a recent press conference in the capital: "In Tamil Nadu all the six units whose financial results have been published so far have incurred substantial losses. One unit, whose paid up capital was Rs 60 lakhs, had lost as much as Rs 41 lakhs on its working during 1969-70 season alone. Further two units in Tamil Nadu have reported losses to the tune of Rs 36 lakhs and Rs 33 lakhs. Similar distressing situation is witnessed from the published financial results of the factories in other regions as well. For instance, in east UP, out of eight units whose financial results have been published in the press so far, six have gone into losses. In Bihar, three out of six units have lost. In Madhya Pradesh two out of four have shown losses."

The losses incurred by these units due to the uneconomic price structure are bound to cause some arrears and the blame for it lies fairly and squarely at the door of the government which has shown extreme carelessness in regard to the affairs of the sugar industry. What is more distressing is that the levy prices for 1970-71 were maintained at the levels fixed in the preceding year, despite the fact that the cost of manufacture had increased due to a number of factors about which the government was fully aware. The rise in purchase tax on cane in Haryana, enhanced commission charged by co-operative societies in Bihar, levy of electricity duty in UP, increased depreciation ratio according to new income-tax rules, the rise in interest rate by one per cent and the commitment charges levied by banks are some of the reasons leading to a rise in the cost of production. The Second Wage Board Award had been implemented by the industry on the specific understanding that its incidence would be taken into account while fixing the levy prices. As a consequence of this unimaginative policy pursued by the government, the sugar industry as a whole suffered heavy losses in 1969-70 and the current year promises to be no different.

This industry's seasonal character has imposed a number of limitations upon it. While the machines work for nearly five months in the year, output is disposed of in 12 to 16 months. The payment for cane has to be made within 14 days of the purchase which implies that without sufficient support from the banking sector and a fair pricing policy, the industry cannot hold its own. Because of mounting demands for credit from other sections of the economy, the banks are perhaps not in a position to satisfy fully the needs for credit of the sugar industry. In such a situa-

tion, it is worthwhile studying the methods adopted by other countries to solve this problem. In some foreign countries, the payment for cane purchased from the grower is linked with the disposal of sugar. In the first instance, payment for cane is made at a provisional price. The accounts are finally settled only after the mill has been able to unload the whole of its production on the market. Perhaps this method of payments can be adopted in this country. If it is found feasible, then the state governments should also assist this industry by staggering the payment of cane cess in the same way.

While a way has to be found to satisfy the credit needs of this industry, there should be no delay in revising the levy prices. If the working results of sugar mills put them in the red because of unremunerative levy prices, then even the measures for easy credit would not pull them out of their present difficulties.

The Realities We Must Face

AS THE statement of the Chairman of the Industrial Credit and Investment Corporation of India (ICICI) to the shareholders of the corporation is dated February 11, 1971 — that is almost a month ahead of the publication of the general election results — it is obvious that Mr G.L. Mehta had made up his mind on what to apprise any new government as to this country's precise needs to make economic headway, regardless of the election results. For, whatever the political party or whoever the Prime Minister, the realities to be faced are the same. But while the realities are the same, there can be no guarantee that the approach also will be either the same or as realistic as it ought to be at the hands of different political parties. Hence the necessity for persons like Mr Mehta who may be depended upon to take an objective and dispassionate view of our country's economic ills and their solution, to put forward what they regard as the imperatives of the situation. It is just as well that he has done it.

As Mr Mehta observed, the year 1970 was a disappointing year in many senses; save for the most noticeable achievement of a good foodgrain harvest for the fourth consecutive year, the picture elsewhere — non-foodgrains farm production, industrial output, exports and prices — was less than satisfactory. The fact is, to quote him, "while the pre-conditions for rapid industrial development are being established, it is evident that we seem to have run out of policy initiatives in the field", as is clear from not only the slow growth of industrial production but also the inadequate utilisation of industrial capacity. This is reality number one.

Reality number two is that whatever industrial recovery there has been is spread so unevenly. Thus, whereas consumer goods industries which suffered the least from the recession have made up the leeway in idle capacity, intermediate and capital goods industries have still to go a long way in this respect. "And unless we can improve the rate of utilisation of capacity in these two sectors of industry, there is little prospect of reviving the overall rate of industrial investment in the economy". Even industrially advanced countries are extremely particular about maintaining, if not increasing, the rate of industrial investment. In the UK, for example, economists are worried about the threatened declining level of industrial investment in Britain as such and also in relation to those in competitive countries. This is understandable, because a lower rate of industrial investment would mean a lower rate of industrial production and also reduced capacity to meet the continual labour demands for higher wages. It is not necessary here to go into the factors responsible for the slowdown in the pace of industrial investment growth and, in consequence, of industrial growth.

Reality number three is the failure of both the traditional and the non-traditional sectors of our export trade to achieve the planned annual growth rate of seven per cent. How disappointing, if not disastrous, to our economy this has proved is eclipsed by the reasonably comfortable level of foreign exchange reserves built up over the past three years, on the one hand, and the fact that the economy has not been operating at full steam, on the other.

Reality number four is the disturbingly high price level, When prices rose in those three disastrous years of 1964-65, 1965-66 and 1966-67, we could blame it on the poor harvests, but the rise in prices in 1970 cannot be so explained away. The price rise particularly affected industries, as it was mainly confined to cash crops or industrial raw materials. Now, this continuous rise in prices, it has been established, is the result of demand factors rather than supply factors. (Hence the ICICI chairman's exhortation about the need for discipline in monetary and fiscal policy fields).

Reality number five is that, at the present rate of development, our economy is not able to absorb the increasing population in the working age groups even as it is. If anything, the situation is likely to worsen with each day that passes. And if this trend should continue — lessening employment opportunities, with increasing food supplies — "no system, political or economic, can expect to stand the strain .." Yet, what is disheartening, as Mr Mehta has noted, is that "the problem has been relegated to a subordinate place in the present order of priorities." Everyone, including Mr Mehta, realises that there are no simple solutions to this problem. Immediately, as he has pointed out, the problem is not only to absorb the existing unemployed but also to give them jobs in non-agricultural activities, which means to build up a potential in these spheres to absorb both the increasing number of job-seekers and those released from agriculture. In other words, the job potential in the non-agricultural sectors will have to rise geometrically so as to meet the demand. There are some answers to the problem that promise to meet it, such as slowing down the growing rate of our population, creation of low-paid productive jobs near the place of residence of job-seekers and taking up of construction and road transport activities.

Reality number six is to choose whether we should have a capital-intensive high-wage development of a narrow base or a broad-based low-wage employment-oriented development effort. The former has been tried and found wanting in terms of employment provided, potential for creating employment opportunities and generating resources.

According to Mr Mehta — and there can be no two views here — then, the state of the economy, particularly the picture in the industrial field, should be "a cause of some concern." Lest the government should feel complacent that the excess capacity is being worked off in any case, thanks to the growing secular demand for industrial goods, he has made it clear that it was the duty of the government to have seized the climate for a spurt in industrial investment and accentuated it by specific investment decisions, thereby implying that it has failed to do so. But, at the same time, he has welcomed the recent decisions in regard to the three steel plants and the small cars and scooter projects with foreign collaboration in the public sector as productive of a large multiplier effect. A multiplier effect, however, will be there only if there is sufficient response from the private sector. Unfortunately, barring a few industries, e.g. tractors and automobile tyres, the response has been rather hesitant, wherefore the ICICI chairman

has stressed the need to ascertain the reasons for such hesitation. Apart from the fact that industrial recovery has been neither as generalised nor so quick-paced as to infuse confidence in the private sector, "the country is in the midst of a transition in respect of its industrial investment policy whose full implications have still to be worked out by the government and absorbed by the entrepreneurial sectors in the economy". Here, then, is the crux of the matter: "While the entrepreneurial initiative and enterprise of the existing groups have been blunted, the expected upsurge of new and favoured categories of entrepreneurs has not come up to take its place".

Mr Mehta has done well to spell out the areas of uncertainty in this policy. These, in the main, lie in the spheres of investment assigned to different entrepreneurial categories. The attempt of the authorities to demarcate the areas of operation for different entrepreneurial categories has had a negative, restrictive slant as regards freedom of investment. As he has rightly urged, "it is not sufficient to restrict the entry of large houses in these investment categories, it is desirable that positive encouragement is offered to the entrepreneurial categories which are sought to be encouraged".

Even more important is the necessity to re-examine the structure of planning and control in the light of the developments during the last 20 years, Mr Mehta has opined. This is so because not only has the industrial base expanded over this period, the instruments of financial control have increasingly passed into the hands of the government.

Mr Mehta has also called upon our entrepreneurs to take a broader view of the development process and think of hiving off some industrial activities and allowing them to be carried on separately so as to provide adequate scope for all potential entrepreneurial talent. To quote him, "While a policy of making everything under one roof might have had some justification in days when markets were limited and industries not diversified, it has little economic basis in the present context when markets are expanding and broader entrepreneurial groups have to be found and started. Industrialists also have an obligation to provide goods to consumers at reasonable prices." In this connection, he has also referred to the need to control costs more effectively and to develop our own research and development facitlities — "facets of a dynamic industrial philosophy". (In this connection, we must offer a word of praise to the efforts being made by the ICICI, as witness the Conference on Research and Development convened by it in December last and the active steps taken by it to set up a Financial Management Institute—this has since been registered and Mr S.L.N. Simha, who has made a special study of development banks, has become the first Director of the Institute).

Inasmuch as the ultimate object of all planning is to maximise welfare, Mr Mehta has underscored the necessity for government not only taking the needed measures itself but also to encourage public effort to improve the economic and social welfare of the people. Referring to the ICICI's own contribution to this effort, he has indicated the several steps already taken and those proposed to be taken "to broaden the impact" of its operations in the sphere earmarked for it. The most important of these are the surveys of industrial potentials of different states. Already the ICICI staff has completed such surveys of Assam and Orissa and those of many more are in the offing. These undoubtedly should help lay the foundations of a broad development in these states. Then, there are the many concessional terms offered to projects of assistance to small entrepreneurs by extending even foreign currency loans to them, and investment in a hire-purchase finance company. But we attach greater importance to yet another sphere in which the ICICI is contemplating to interest itself, namely housing finance, recognising it, as it has rightly and, if we may say without offence, somewhat belatedly, to be "a major lacuna in the present financial facilities available in the economy". As the ICICI chairman has pointed out, adequate credit facilities are still not available to people for housing, although "housing is also an important element in total construction activity and would provide, besides shelter to those actively engaged economically, also employment on a large scale." We hope the corporation, which has not been slow to notice the lacuna, will lose no time in promoting the housing finance corporation it has in view.

As for the corporation itself, not only were the operations in 1970 a distinct imxrovement over those in 1969, as the following figures reveal, but those of the first three months of 1971 too are reported to be quite satisfactory.

	1970	1969
No of applications for financial assistance	218	174
Gross sanctions (in Rs crores)	43.35	39.20
Net sanctions (in Rs crores)	34.14	30.02
Disbursements (in Rs crores)	27.96	18.16

	(In Rs crores)
Total net sanctions at end of 1970	295.69
Made up as follows:	
Foreign currency loans	174.39
Rupee loans	51.89
Guarantees	7.80
Underwriting	54.04
Direct subscriptions •	7.57

Total disbursements at the end of 1970 were Rs 201.13 crores made up as under:

	(In Rs crores)
Foreign currency loans	120.63
Rupee loans	42.91
Underwriting	30.44
Direct subscriptions	7.15

The gross income of the ICICI in 1970 was Rs 10.17 crores — an increase of Rs 1.19 crores over 1969 — while its net income (profits after tax) amounted to Rs 1.68 crores as against Rs 1.60 crores for the preceding year. The 10 per cent dividend recommended compares with nine per cent for 1969 at which level the rate had remained static for the last three years. A notable feature of the appropriation of the corporation's profits has been the ploughing back of Rs 137 lakhs (Rs 119 lakhs in 1969) as against a dividend distribution of only Rs 75 lakhs. It is not surprising, therefore, that the total reserves at the end of 1970 stood at Rs 8.23 crores, that is, as much as Rs 70 lakhs above the total paid-up capital, which explains the corporation's proposed decision to increase the paid-up capital (for the second time — starting with a paid-up capital of Rs 5 crores, the corporation increased it to Rs 7.5 crores in 1965) to Rs 10 crores by offering to shareholders one share for every three shares held. But the new issue is not going to be a bonus issue, as the ICICI rightly wants to build up capital in the best traditions of financial institutions which generally avoid making bonus issues.

So far as resources are concerned, the ICICI continues to be in the happy position of assured lines of credit year after year from the World Bank and the West German Kreditanstalt fur wiederaufbau as well as the British government. In addition to the accommodation it received from these institutions in 1970 (Rs 30 crores, Rs 102 lakhs, and Rs 180 lakhs, respectively) it hopes to get further lines of credit of equal or bigger size this year. No wonder that the total resources (i.e. net of repayment and cancellations) available to the corporation, including those under negotiations, add up to Rs 194.74 crores (Rs 69.69 crores in rupees and the equivalent of $166.73 million in foreign currencies). This is as it should be, because, instead of just following the beaten track, the ICICI has gone on steadily broadening the financial facilities it is making available to the community.

The Mid-Term Poll and After

DR A. APPADORAI

MRS GANDHI, unlike Mr Wilson in Britain, has won the gamble in deciding on a general election well before it was due. The massive mandate she has received from the people for peaceful socio-economic change has important implications for democracy. It is proposed in this short article to analyse *four* of these.

First, on the credit side, is of course the obvious result: stability in the central government. The two-thirds majority secured by Congress(R) and the fact that no opposition party has the strength sufficient enough to be recognised as the official opposition [the largest strength is that of the CPI(M)—25 members] make this stability certain beyond doubt. The electorate has correctly judged, as Mrs Gandhi repeated in her electioneering campaign, that the towering issue in the election was how to provide a stable government at the centre.

This massive victory, strictly from the democratic point of view, has two significant aspects.

The burden of victory placed on the government is stupendous. If, as Mrs Gandhi said in her post-victory address, from the beginning the people had made it their election and it seemed as if the entire Indian people were fighting for the direction in which the country had to be taken, what is the direction in which the country is to move, and how is the government to chart that direction? *Prima facie*, the answer is to be found in the election manifesto of the Congress(R). Three points, out of the twelve listed in that manifesto, deserve special mention in this context: ".... provide fresh avenues of employment and thus widen the participation of our citizens in nation-building activities; control prices and ensure to the people the supplies of essential commodities at reasonable prices; and accelerate efforts to provide basic requirements to our people by undertaking a dynamic programme of agricultural development." Two other items indicated in the manifesto refer to the *means* for achieving these three objectives, all of which refer to economic development; "....enlarge the role of the public sector and improve its performance and find scope to the private sector to play its proper role in the economy, while curbing the concentration of economic power and wealth." In my judgement, a pragmatic view demands not the insistence on the expansion of the role of the public sector *per se*, but only *if* it improves its performance.

A Disgrace

A respected public worker like Achyut Patwardhan recently said: "The working experience of the public sector industries is such as would be a disgrace to social ownership". This is important. The increase in production and the equitable distribution of national wealth both demand a pragmatic approach. The question should not be how to enlarge the public sector, but how to enlarge that sector which gives the best performance. If the public sector gives the better performance by all means adopt it; the need for a pragmatic approach, not a slogan approach, to the whole question of the choice of the sector is clear.

A second aspect of the massive majority is, in the absence of a strong opposition, how do you secure the criticism and the corrective which might have come from such opposition? There is no alternative, in the circumstances, to encouraging self-criticism within the ruling party. The Congress, historically, has consisted of a number of groups held together by the personality of a charismatic leader. It will be wise to allow different sections of opinion within the ruling party freely to express themselves, within the four corners of the basic principles of the manifesto, so that all aspects of a polic decision are taken into account.

The second implication also, on the credit side, is tha our prestige abroad has been raised and this is bound to hav a salutary effect on our relations with the outside world This result is primarily due to the fact that the world know that for some five years, the government at the centre wil have a stable majority supported by the bulk of the people The numerous congratulatory messages received by the Prim Minister from heads of state and of governments stress th fact that our country can hereafter play a more significant an meaningful part in international relations in achieving peaceful world and reducing international tensions, than ha been the case in the recent past. The third implication arise out of the statement in the election manifesto of the rulin party that such amendments of the Constitution as may b necessary to achieve the objectives of the manifesto will b effected. Leaders of the party in their election campaig have repeatedly referred to the need for amending the Cons titution in order, as they said, to keep the Supreme Court i its proper place; they have been touched to the quick b the decisions in the bank nationalisation and the privy purse cases.

Relevant Point

It is not proposed here to discuss these two cases; wha is relevant to point out here is that the Supreme Court' decision in the Golakanath case sets a limit to Parliament' power to amend the Constitution. The gist of that decisio was that Parliament's power to abridge or take away funda mental rights is restricted; any modification of the Constitu tion in these directions could only be by the people or a ne Constituent Assembly. The ruling party is bound to reviv Nath Pai's Bill which sought to restore to Parliament th full amending power. Without going into details, I need onl say two things: first, whatever is done should not affect th independence of the judiciary which is the cornerstone of th rule of law in a democracy; and second, consistent wit the view, which the Supreme Court took in 1967, it is possibl to envisage a situation in which, if a bill on the lines of Nat Pai's Bill is passed, the Supreme Court may take the vie that the constitutional amendment is *ultra vires* of the Cons titution. In such a situation, the only *legal* way of effectin the desired change would be to have a Constituent Assembl convoked and to place the powers of Parliament beyon question by including a positive provision that Parliamen has power to amend any part of the Constitution includin fundamental rights.

The fourth implication is this: The general election was a attempt to delink the Lok Sabha elections from the election to the state assemblies, though three states—West Bengal Tamil Nadu and Orissa—also went to the polls at the sam time. It may be doubted if this object was achieved. Fo no sooner was the two-thirds majority of the ruling part declared than a series of defections began to set in. Th Congress(O) governments in Mysore and Gujarat have resig ned. The SVD government in Uttar Pradesh has been vote out. In all the three cases, the argument has been simple the victory of Congress(R) in the Lok Sabha election, it wa said by the defectors, shows the wind of change in popula opinion, and, therefore, their remaining in the party to whic they belonged seemed undemocratic. There is some truth i the argument, but why they should have rushed to joi the winning party, instead of being content with resigning is not clear. That the winning party is resisting an indis criminate acceptance of defectors, lest their own share of th spoils be diminished, is one of the interesting developments i

the political scene; but *prima facie* their resistance to accepting the defectors is clearly democratic.

Two final observations may be made. First, the norms of public life seen in the election have clearly to be improved. All the opposition parties as well as the ruling party have complained of the falling standards in public life. The Congress (O) President, has, in a press conference, accused the Congress (R) of having adopted unfair tactics to win the election. Mrs Gandhi has accused the opposition parties of indulging in abuse and violence. The demand made by several parties for the setting up of a judicial body to probe the irregularities in the election is further evidence of the *feeling* that the election has not been free and fair.

Second, the role of the press in the weeks preceding the election leaves one wondering whether the press truly reflects the political climate. A reader of the national newspapers would have got the impression that a coalition government at the centre was inevitable after the mid-term poll. It is sufficient to say that, even in a unique election such as this, the citizens expect a fairer lead from the press.

Centre-State Finances

SAGITTARIUS

THE NEW central government may have to re-examine its financial relations with state governments in 1971-72 as the latters' surpluses for implementing Plan schemes have contracted significantly as a result of big increases in non-Plan expenditure. Even with a larger transfer of revenues from the centre as the states' share of excise duties, income tax and grants and a bigger quantum of special assistance, the overdrafts of the state governments from the Reserve Bank have been steadily increasing in 1970-71 and during the week ended March 6, 1971, they stood at a very high level of Rs 239.96 crores against only Rs 130.71 crores in the corresponding week in 1969-70. It is difficult to visualise at this stage how this gaping deficit will be adjusted by the state governments concerned without pruning non-Plan expenditure, imposing additional taxes and getting also larger central assistance for executing Plan schemes.

Some agreement may eventually be reached in regard to special payments to the states in respect of adjustments relating to the emoluments of the government employees though the centre has been taking the stand that the states will have to find the requisite resources for keeping contented their employees and for implementing Plan schemes also more vigorously. The new budgets of many state governments may contain fresh proposals for taxation though a bold approach in this regard can be taken only by those governments which have been newly elected and which are in a strong position like the Dravida Munnetra Kazhagam in Tamil Nadu. Even otherwise, there may not be any disposition on the part of those governments, which have to go to the polls next year, to impose new onerous levies in a pre-election year.

Rescheduling of Debt Payment

The central government can probably avoid the forking out of large amounts by way of grants or special assistance if the problem of rescheduling of debt repayments and payments on account of interest charges are tackled realistically and the difficulties of particular state governments are recognised. The Andhra Pradesh budget for 1971-72 is the first document of a major state to be presented to the legislature so far. The budget estimates, which are only provisional and likely to undergo changes, have been formulated to secure a vote on account for six months. The state's finance minister, Mr K. Vijaya Bhaskara Reddy, is obviously finding it difficult to eliminate the overall deficit as there has been an increase in non-Plan expenditure and it is obligatory also to provide fairly large amounts for Plan schemes.

In 1970-71 there has been a serious deterioration in the financial position of the state as it ended the year with a minus cash balance of Rs 15.51 crores, there being a deficit in both the revenue and capital budgets. The revenue deficit (revised) increased to Rs 12.02 crores from the budget estimate of Rs 47.04 lakhs in spite of a higher level of receipts of Rs 286.59 crores against Rs 265.96 crores. There was a bigger rise in expenditure to Rs 298.61 crores from Rs 266.43 crores on account of famine relief and other special factors. In the capital budget it had been hoped that there would be a surplus of Rs 14.77 crores, but there was actually deficit of Rs 4.31 crores due to smaller receipts from open market loans and the expectations about a higher level of central assistance not materialising. It must, of course, be stated that the deficit could have been avoided if Plan outlay had not increased to Rs 97.42 crores, including nine crores rupees for Telengana from Rs 77.39 crores (budget).

Peculiar Predicament

The state's finance minister has, however, pointed out that there is compulsion to incur Plan expenditure on an ambitious scale as the big irrigation projects have to be expeditiously completed and additional generating capacity for power has also to be created in a big way notwithstanding the difficult financial position. There is also the peculiar predicament of Andhra Pradesh government in which expenditure on regional development has to be incurred on a stipulated basis. It has, therefore, been decided that there should be a further increase in Plan outlay in 1971-72 to Rs 114.59 crores including the allocation of nine crores rupees for Telengana. The full details regarding Plan allocations have not been furnished. But it has been indicated that the Nagarjunasagar project will require Rs 10.62 crores, the Pochampad project Rs 6 crores and the Srisailam project Rs 4.2 crores.

It will be worthwhile to raise outlay on the irrigation projects and the development of land under their command because it is necessary to shorten the period of gestation. Though the Nagarjunasagar and Pochampad projects have been virtually completed, tangible benefit out of the newly created irrigation facilities can be derived only if land development also is carried out expeditiously. It will be no exaggeration to say, therefore, that a fourth Plan outlay of over Rs 500 crores is the minimum and the resources have to be found somehow. A larger Plan outlay in 1971-72 has necessarily been reflected in an overall deficit of Rs 9.90 crores in 1971-72 even with a revenue surplus of Rs 9.90 crores. There will be a gratifying increase in revenue receipts to Rs 310.04 crores from Rs 286.59 crores. But there will also be a rise in expenditure to Rs 300.14 crores from Rs 298.61 crores in spite of the fact that there will be no expenditure on famine relief on the scale of the previous year. It has been assumed that fairly liberal central assistance will be forthcoming while a larger amount of Rs 16.08 crores against Rs 13.27 crores will be raised through open market loans.

Mr Reddy has not made any attempt to bridge the overall gap or correct the difficult ways and means position even with

a sizable minus cash balance of Rs 25.40 crores at the end of 1971-72. The scope for levying additional taxation is obviously limited unless the state government decides to tax agricultural incomes as the advantage accruing out of the scrapping of prohibition has been already taken into account. It is probably expected that as a result of the negotiations with the centre there will be a rescheduling of debt repayments or larger assistance for Plan schemes. The possibility of raising revenues through adjustments in taxes may also have to be explored, There may however, be greater reliance on bor owing through open market loans and help from the banking system and special institutions for implementing rural electrification programmes and housing schemes. While the actual proposals will be presented to the legislature later in the year, the developments in the next few weeks may indicate how the financial position of the state governments will be streamlined and in what manner fourth Plan schemes are proposed to be vigorously implemented.

Free But Fettered—The Illiterate Citizen

DR C. D. DESHMUKH

This is the text of the Fifth A.D. Shroff Memorial Lecture delivered by Dr Deshmukh under the auspices of the Forum of Free Enterprise on October 27, 1970. The views expressed by him are of special interest against the background of the recent election.

THE AUTHORS of the first five-year Plan (December 7, 1952) recognised the problem of illiteracy as primarily a handicap to democracy. They observed:

> "In a country, where nearly 80 per cent of the population are illiterate, democracy will not take root until a progressive programme of primary education trains up a generation fit to undertake its responsibilities. Even the programme of primary education is considerably handicapped without a corresponding programme of the education of adults".

According to their view the concept of adult education, which was mostly confined to literacy, was found to be too narrow to be able to meet the various needs of the adults. They, therefore, widened it for the purposes of the Plan to include, in addition to literacy, the health, recreation and home life of the adults, their economic life and citizenship training; and to denote this new concept the term 'Social Education' was coined implying an all-comprehensive programme of community uplift through community action.

Social Education

Up to this stage the work in the field of social education had been confined mostly to literacy. As a result of the work during the preceding 15 years, especially during 1937-39, and since 1949-50, the literacy percentage in the country increased from 8.3 in 1931 (for undivided British India) to 17.2 per cent in 1951 (for divided and integrated India). Most of the post-literacy work was done through libraries, although the library movement had not made much headway in the villages, owing to dearth of suitable literature. The recognition of the importance of recreational and cultural activities in programmes of social education was then a fairly recent development. However, no systematic attempt had been made to exploit their potentialities for mass education. A few institutions had attempted to improve the economic condition of the villagers by teaching them improved crafts and agriculture. There was some good work to the credit of some of the basic institutions and some co-operatives.

The total expenditure on social education in 1950-51 was Rs 83.45 lakhs. The first five-year Plan visualised an average annual expenditure of Rs 3.02 crores. It was estimated that an average annual expenditure of Rs 27 crores would be required for the succeeding 10 years to make everybody literate and give him in addition a veneer of social education in the larger sense of the term.

In order to enable the human factor to respond fully to the national plans of development, social education was to be based on co-operatives, agencies of village development, co-operative farming, agricultural extension work, etc. In handling these priorities the utmost attention was to be paid to inculcating in the adults, right individual and collective habits. The knowledge of various subjects was to be corelated to every step involved in these activities, thereby broadning the horizon of the adults and enabling them to understand and effectively participate in the wider national life. To this end reorientation courses were to be planned for the personnel engaged in the departments concerned and to prepare literature to guide them in their work.

The social education approach was to permeate all programmes of state aid to the people. The effectiveness of private agencies doing social education work was to be encouraged by giving them proper help.

State resources were to be used primarily for organising an economic activity on co-operative basis. This was to be the rallying point for the community and mark the beginning of the community centre, the nucleus of which was to be provided by the trained community organiser.

In organising literacy and post-literacy work the aim was to be to put it on a self-financing basis, as far as possible, by normally starting it only when the ground had been prepared by some more obviously useful activity and interest in knowledge had been sufficiently stimulated. "A newssheet, locally produced and carrying suggestions for improving their lot—suggestions which they can immediately put into practice and in which they have developed faith as a result of the work in the first stage, should find ready customers among the villagers." At a later stage the state could help with libraries to the extent that its resources allow.

Special Aim

A special aim was to train local leadership as a result of the working of small groups in youth clubs, children's clubs, farmers' clubs, etc.

Teacher's training colleges were urged to take up research in methods of imparting literacy. Experimental centres of social education were to provide sufficient material for literature suitable for adults. The scope for interdepartmental co-operation was indicated. The central government was to provide model guide-books for workers and prepare pamphlets on certain standard subjects like health, democratic citizenship, co-operatives, etc.

Finally the lines on which a suitable administrative machinery was to be devised were indicated. The guidance was to be given by the central government which was to initiate, and aid financially, experimental work in social education and basic education in the states, guide it, assess the

results and make them available to other states. A common national platform, where the various agencies can meet at intervals for mutual discussion—so necessary for evolving a common outlook and securing co-ordination of different agencies—was, in the commission's view, already provided by the Indian Adult Education Association.

It was pointed out that social education in industrial areas in towns had special importance in view of the dull and drab conditions of life prevailing in urban areas. It was pointed out that here the employer and the labour unions should be able to co-operate.

The provision for social education in the Plan (operative for 3 years only) was Rs 15.10 crores, *i e.*,10 per cent of the total provision for education of Rs 151 crores, this latter being seven per cent of the total Plan expenditure in the public sector.

The second five-year Plan devoted far less space to literacy or social education. The depressing fact that only 17 per cent of the population (or 20 per cent after excluding children below 10 years) was literate was recorded for the year 1951 and the serious disparity in literacy between men (24.9 per cent) and women (7.9 per cent) and between the urban population (34.6 per cent) and the rural population (12.1 per cent) was noted. The Plan report declared roundly "Rapid social and economic progress along democratic lines and widespread illiteracy are scarcely compatible with each other". However, while observing that literacy was undoubtedly important, the planners apparently laid greater stress on, (*i*) carrying out the essential reforms proposed in the system of education and (*ii*) on developing facilities for continuation of classes and social education classes at various levels. Although Fundamental Education was mentioned, its precise implication was nowhere explained. The report said : "The Ministry of Education prpposes to establish a fundamental education centre for training social education organisers and for continuing study and research in problems relating to social and basic education".

Comprehensive Approach

Social education undoubtedly held the field, as believed to embody a comprehensive approach to the solution of the problems of the community, primarily through community action. It included, besides literacy, health, recreation and home life, economic activities and citizenship training. The sights were set very high indeed and social education and rural improvement were looked upon as a nation-wide effort, of which the facets were the entire national extension and community development programmes of the state in co-operation with people and voluntary organisations, the co-operative movement and the village panchayats— the last introduced with a gay abandon and brave words (democracy at the grass roots) in the middle of the Plan period. A period of careful evaluation was indicated as likely to help determine the nature of specialised agencies and methods and techniques needed in the field of social education both in rural and in urban areas.

Against this somewhat fuzzy philosophy, some realistic perceptions had begun to obtrude themselves by the time the third Plan was formulated. States the report:

"Over the past decade in several directions there has been a measure of progress, as in the development of community centres, reading rooms in villages, organisation of youth groups and Mahila Mandals, and the revitalisation of village panchayats and the co-operative movement. One aspect of social education and in some ways the most important, has,however, caused concern".

This was literacy. It was noted that between 1951 and 1961 literacy had increased only from 17 to about 24 per cent. The planners wisely observed:

"The introduction of Panchayat Raj at the district and block levels and the important role assigned to village panchayats render it imperative that in as short a period as possible a substantial proportion of the adult population should become capable of reading and writing. This is essential in their own interest as in that of the community as a whole. As sufficient progress had not been achieved so far in this direction, the problem is being now studied afresh with a view to working out means for the rapid expansion of adult literacy".

Altogether, in the third Plan, about Rs 25 crores were expected to be available for social education. At the central level there was to be further development of the National Fundamental Education Centre as part of the National Institute of Education. Literature was to be provided for neo-literates, and voluntary organisations in the field of social education were to be assisted and the library facilities were to be expanded. The educational plans of states found room for libraries and continuation classes and, to a limited extent, for adult schools and other schools for perfecting adult literacy.

Adult Literacy

The Plan envisaged a large-scale and effective programme for adult literacy based on the closest possible co-operation at every level of personnel engaged in education and community development. It called for a pooling of the available resources in men and money, mobilisation of voluntary workers and organisations and development of adult education and literacy work at the block and village levels and in every city and town, so that it took the character more and more of a popular movement. Panchyat Samities, village panchayats and voluntary organisations were to create and maintain popular enthusiasm and develop adult education and literacy on a continuing basis in a manner related organically to their own needs and conditions. At every step the local leadership, the teachers and the voluntary workers were to be drawn into the movement for the expansion of literacy both among men and women. Proposals for a large-scale programme of adult literacy on these lines were to be drawn up by the Central Ministry of Education in consultation with the Ministry of Community Development & Co-operation, and it was hoped that appreciable progress would be realised during the third Plan

The third five-year Plan was to end in 1966 and the fourth introduced. However, three fallow years characterised by disillusionment, failure of crops, devaluation and loss of direction intervened, in circumstances now only too well-known.

During the third Plan, after rising by 20 per cent in the first four years, national income (revised series) at 1960-61 prices registered a decline of 5.6 per cent in the last year. Since population kept on rising steadily at 2.5 per cent annually, the per capita income in 1965-66 was about the same as in 1960-61 and showed only a nominal rise in the following year. It was only in 1967-68 with its record harvest that national income rose in one year by 9 per cent and the estimated income in 1968-69 was expected to exceed the previous year's level by 1.8 per cent.

The planning between 1966 and 1969 was, therefore,

merely a holding operation, and the formal fourth five-year Plan (1969-74) has only recently been put out and approved. This Plan devotes little space to adult literacy and attempts no appraisal of the efforts made in the direction of social education and adult literacy during the preceding 18 years. But it promises that efforts will be made to spread literacy amongst adults through mobilisation of voluntary efforts and local community resources. Pilot projects are to be initiated in selected districts to begin with and the programme is to be extended to other areas in the light of experience. For the development of the programme assistance is to be sought from industry, from the students working under the National Service Scheme, and from voluntary organisations which will be assisted financially and given technical guidance. Under Agriculture the Plan report mentions a programme of Farmer's Education and 'Functional Literacy' in the high yielding varieties area. This programme is to be extended to 100 districts, to cover one million adult farmers.

Adult education is to continue to be an integral part of the community development programme. University departments of Adult Education are to be helped to take up pilot projects, to conduct research and organise extension and extra-mural lectures. A National Board of Adult Education has been set up to advise government on the development programmes and for enlisting the co-operation of the interested and the agencies concerned. The further development of television and the experiments with satellite communications, which will begin from 1972-73 may, the hope is expressed, have significance for education, especially adult education. Of the total outlay provided for education Rs 822.66 crores (hardly 3½ per cent of the Gross National Production) the portion meant for social education is Rs 8.30 crores against Rs 15.10 crores in first and second and Rs 25 crores in third five-year Plan. To this might be added Rs 2.45 crores for Farmers' Training and Education including functional literacy. A special scheme of farmers' training was introduced on a pilot basis in 1966-67 in five districts. The three components of the scheme were (*i*) functional literacy, (*ii*) farm broadcasts, and (*iii*) farmers' training. The intention was to try out arrangements for intensive training and information in selected districts having potential for optional use. Later on, the scheme was extended, so as to increase the number of farmers' training centres to 25 in 1967-68 and 50 in 1968-69. A recent evaluation, however, showed that only 27 centres were functioning effectively. During the current year there has been a spurt. The number of centres has been doubled.

Lackadaisical Attitude

While this somewhat lackadaisical attitude towards adult literacy has characterised the five-year Plan reports, the problem of the liquidation of illteracy has during the last decade been attracting attention in the international sphere.

Dr Durgabai Deshmukh in an honorary capacity and five others including myself as consulting experts helped to draw up the Asian Model of Educational Development prepared by UNESCO in May 1956. Dr Durgabai was in charge on behalf of the experts of the part of the draft dealing with Adult Education and Teacher Training. This part of the draft was revised appropriately in accordance with the relevant resolution of the Teheran Conference (World Conference of Ministers of Education on the Eradication of Illiteracy held in September 1965) and recommendations in this respect were adopted by the conference of Ministers of Education and Ministers responsible for Economic Planning, held in Bangkok on November 22-29, 1965, which approved the modified draft plan.As both of India's concerned ministers were busy owing to a session of Parliament, I was asked to represent both and in these two capacities participated in the deliberations of the Bangkok conference. The conclusions of the conference of interest in connection wth educatioon out of school was : adults must be given opportunities for continuing their education at all levels. They emphasised that formal education needs to be supplemented with simultaneous action for extending adult education and out of school youth programmes to prepare countries to respond immediately to urgent economic and social needs. "It must also be recognised", their Report and Recommendations said, "that youth and adult education programmes and formal education of children and young people reinforce each other by preventing the perpetuation of illiteracy and semi-literacy in the population and should therefore constitute integral parts of the Education system". This principle is spelt out in a few paragraphs which bear reiteration in extenso :

The Asian Model

"Educational orientation is directly influenced by the tempo and nature of changes in society. The impact of these changes on the individual and upon his community are producing profound disturbances in the traditonal social and cultural values. Women are taking their place side by side with men in the development of their countries and full access to education must be available to them. It is necessary, too, that the common citizen learns more of the needs of this modern dynamic world and adapts and develops his life in keeping with rapidly changing conditions.

Economic and social development both in industry and agriculture are making new demands on education, and adult education is now being considered as an important and essential element in the over-all educational system. Governments are realising that to neglect the education of the adult and youth elements of the population will mean a major obstacle to progress for the next few decades. The coming twenty years are crucial; countries of Asia cannot afford to let their adult illiterates become a 'lost generation'. It is in fact this generation that contributes to the productive wealth of the country, by providing the labour force and generally contributes to its economic life. Adult education therefore must be geared to economic and social needs; it must, in other words, become 'functional'. Further, this functional aspect should be concentrated in 'priority areas' in economic and social development, and the future manpower needs of the countries.

As a consequence, education of adults and out-of-school activities for youth should be an integral part of all educational systems and plans. Informal education is necessary in the countries at all levels of development, starting from elementary literacy to higher education. On the other hand, education cannot be limited any longer to schools and universities; today educational activities must be carried out by factories, co-operatives, local authorities, radio broadcasts, television, etc. As far as content is concerned adult education covers very difficult fields and needs. But the urgency of some problems in Asian countries and the scarcity of means impose the necessity to select priorities and to plan adult education according to needs and possibilities.

Within this wide scope, the specific tasks of adult and youth education can be related to the following immediate problems; the number of illiterates in the region; the number of early school leavers including semi-literates needing further education; the number of young people who by 1980 would still not have had access to primary education and elementary education; the number of adults to be trained to meet manpower requirements at the basic, middle and higher levels; ascertaining the kind of skills required and

related in terms of numbers to the National Development Plan.

The programmes of continuing education of adults and out-of-school youth education would, therefore, comprise the following activities: functional literacy, general education programmes following school curriculum and wherever possible, using school resources technical and vocational education, civic education.

Functional Literacy

The struggle against adult illiteracy is now following two main directions; on the one hand the elaboration of well-defined and realistic national plans and programmes for progressive eradication of illiteracy according to the possibilities, needs and aims of different countries; on the other, implementation of work-oriented pilot literacy projects carried out through national means with the support of multilateral and bilateral assistance.

The immensity of the problem of literacy as well as the unsatisfactory results obtained in the past, led the individual countries and international conferences to elaborate new strategies and approaches, in order to achieve this tremendous undertaking.

Briefly stated, the essential elements of the new approach to literacy are the following : (*a*) literacy programmes should be incorporated into and correlated with economic and social development plans; (*b*) the eradication of illiteracy should start within the categories of population which are highly motivated and which need literacy for their-own and the country's benefit; (*c*) literacy programmes should preferably be linked with economic priorities and carried out in areas undergoing rapid economic expansion; (*d*) literacy programmes must impart not only reading and writing, but also professional and technical knowledge, thereby leading to a fuller participation of adults in economic and civic life; (*e*) literacy must be an integral part of the overall education plan and educational system of each country; (*f*) the financial needs of functional literacy should be met out of various resources, public and private, as well as provided for in economic investments; (*g*) the literacy programmes of this new kind should aid in achieving main economic objectives, *i.e.*, the increase in labour productivity, food production, industrialisation, social and professional mobility, creation of new man-power, diversification of the economy."

In Asia the dimensions of the problem, on the basis of statistics prepared for the Teheran World Conference on Illiteracy (1965) are frightening. There were about 300 million illiterate persons, 15 years of age or more, in member-states in Asia. The percentage of *adult illiterates* of 15 in 1961 was over 90 per cent in Afghanistan and Nepal, and over 70 per cent (but below 80 per cent) in Laos. India, Pakistan, Iran and Viet Nam and between 27 and 47 per cent, in Ceylon, South Korea, Philippines, Burma, Thailand, Taiwan and Malaysia. Buddhist countries on the whole make a better showing than India and Pakistan.

The latest estimates show a deterioration so far as India is concerned. Of the 800 million illiterates in the world India has 350 million, *i.e.*, about 2/3rds of the total population.

Some of the apparently intractable features of adult illiteracy in India owe their origin to the unsatisfactory status of Primary Education in the country.

According to the Second All-India Educational Survey carried out by the National Council of Educational Research and Training, although nearly all the rural area is now served by primary schools 41 per cent of these are one teacher schools, and in 20 per cent of the primary sections the enrolment is upto Class III only. Nearly 24 per cent are incomplete primary sections, not having the final primary class according to the approved pattern. Girls constitute only a little over 36 per cent of the enrolment in the primary sections of the country. Against the third five-year Plan targets of 76.4 per cent (90.4 per cent for boys and 61.6 per cent for girls) the actual percentage was 74.36 (93.39 per cent for boys and 54.70 per cent for girls).

The ratio between enrolment in classes I and II is approximately 7.2 (only 4 : 1 for rural areas, being 7 : 2 for boys and 6:1 for girls).

Considering matriculation and teacher training as the desirable qualifications for teachers at the primary stage, only 32.70 per cent of them fulfil both these qualifications (varying between 3.40 per cent in Orissa and 81.11 per cent in Punjab). There is a sizable backlog of untrained teachers, 57.38 per cent for regular training courses and 46.62 per cent for short training courses.

The National Policy on Education embodied in a report of the Committee of Members of Parliament on Education (1967) has this to say on *spread of literacy and adult education.*

Adult Education

Para 33 : "The liquidation of mass illiteracy is essential, not only for accelerating programmes of production, especially in agriculture, but for quickening the tempo of national development in general. Plans to accelerate the spread of literacy should therefore be prepared and intensively implemented on several fronts. With a view to reducing new additions to the ranks of adult illiterates part-time literacy classes should be organised for grown-up children (age 11-12) who did not attend school or have lapsed into illiteracy. All employees in large commercial, industrial and other concerns should be made *functionally literate* within a prescribed period of their employment and a lead in this direction should be given by industrial plants in the public sector. Similarly teachers, students and educational institutions should be actively involved in literacy campaigns especially as a part of the social or national service programme. The achievement of literacy should be sustained by the provision of attractive reading materials and library services to the neo-literates. Adult or continuing education should be developed through facilities for part-time or whole-time education and through expansion and improvement of library services, educational broadcasting and television. The development of extension services in universities is of great significance in this context. In particular, the universities should organise special extension programmes to train rural leadership."

It is of interest to mention here a Seminar on Eradication of Illiteracy which was held at Hyderabad from November 4 to 7, 1966 under the auspices of the Council for Social Development of the India International Centre, New Delhi. This was with special reference to UNESCO's Contribution to the World Programme, with special reference to India. The venue was Andhra Mahila Sabha Building, Hyderabad. This had special significance as Dr Durgabai Deshmukh was then a member of the International Liaison Consultative Committee for the Eradication of Illiteracy of the UNESCO. This body incidentally was active then, but now seems to be moribund and has perhaps been wound up. The printed proceedings of the Seminar are available as a priced publication.

An unexpected ally in respect of literacy emerged, possi-

bly as the result of the awakening of international interest in this vital matter. The occasion was the appointment of the Education Commission of 1964, under the chairmanship of Dr D. S. Kothari (Chairman of the University Grants Commission) which, for the first time in the history of such commissions, was induced to take interest in the problem of literacy as well as adult education. The Commission appointed a Task Force on Adult Education with one of its members, Dr V. S. Jha, as convenor. Among the members of this Task Force was Dr Durgabai Deshmukh under whose convenorship a Sub-group on Literacy Education was formed. Her membership of the UNESCO International Liaison Committee for the Liquidation of Illiteracy enabled her to make substantial contributions to the deliberations of this sub-group which are reflected in the Commission's recommendations on the subject.

In the chapter on Adult Education (Chapter XVII, page 422 et seg) the Commission roundly stated that India was more illiterate in 1961 than in 1951 with an addition of about 36 million illiterates, and that in 1966, it has 20 million more since between these years the total population increased by some 150 million, there must be at least an equal number of more literates also). The Commission note that this has happened despite unprecedented expansion of primary education and despite many literacy drives and programmes. Though the percentage of literacy has risen from 16.6 per cent in 1951 to 24 per cent in 1961 and 28.6 per cent in 1966, a faster growth of population has pushed the country further behind in its attempts to reach universal literacy. The Commission wisely observed: "The moral is obvious : conventional methods of hastening literacy are of poor avail. If the trend is to be reversed a massive unorthodox national effort is necessary."

High Price Paid

Feelingly, the Commission note the high price which the individual as well as the nation pays for the illiteracy; *e.g.* (1) the condemnation of the illiterate in the circumstances of modern life to live in inferior existence; (2) the illiterate individual's low income; (3) the illiterate's isolation from sophisticated social processes, such as democratic government and commercial marketing; (4) blocking of economic and social progress; (5) reduced economic productivity; (6) less efficient population control; (7) imperfect understanding of national integration and security; and (8) retarded improvement in health and sanitation. The sum and substance of the situation is—and I quote the Commission: "The uneducated is not in reality a free citizen". On an analysis of the situation the Commission came to the conclusion that the principal strategy adopted so far to make the people literate, *viz.*, exclusive emphasis on the development of a programme of free and compulsory education for all children till they reach the age of 14 years, has failed. Not only shall we have to wait till 1986 (instead of 1961 as indicated in the Constitution) before we can hope to provide seven years education to all children, but also the whole current system of primary education continues to be largely ineffective and wasteful and many children who pass through it either do not attain functional literacy or lapse into illiteracy soon afterwards. The Commission conclude: "It is therefore evident that while our effort to develop a programme of free and compulsory education should continue with redoubled vigour, a time has come when a massive and direct attack on mass literacy is necessary."

In this context this is perhaps the place at which we have to note that according to a recent study sponsored by UNESCO and made by Mr J. M. Kapoor and Mr Prodipto Roy for the India International Centre's (New Delhi), Council for Social Development, the lapse into illiteracy was higher in the case of out of school efforts made to liquidate illiteracy, *viz.*, 45 per cent than in the case of the products of the school system, which was 20 per cent. The finding that rural school training resulted in the highest literacy retention is more encouraging. The study further indicates that unless adult literacy has reached a high proficiency designated as grade III by the Lucknow Literacy House test, or students have attended at least four years of school, there will be a high loss of literacy.

The Commission noted that campaigns launched in the past to eradicate illiteracy petered out because of, (*i*) being too limited in scale to achieve a significant advance and generate enthusiasm for further effort, (*ii*) having been sporadic and unco-ordinated; and (*iii*) having been launched too hastely without careful assessment of the needs and interests of adults, without awakening public interest or stimulating the desire to learn and without adequate provision for the follow-up work.

The Commission points out as prerequisites of sustained support and purposeful orientation of literacy programmes, the acceptance of certain basic ideas such as : (*i*) the proposition that the pace of industrialisation and modernisation of agriculture and in general of the economic progress of the country is inhibited by the predominance of illiteracy in the working force (144 million or 67 4 per-cent), (*ii*) that the illiterate resist social change; (*iii*) that the illiterates are out of tune with the spirit of the age in which science and technology influence progress and determine the ways of life and standards of living; (*iv*) that illiteracy is an obstacle in the way of the communication of new ideas and new practices, so essential for progress; (*v*) that the lliterate cannot make a real democracy the essence of which lies in participation by the people in organised civic life and in important decision-making.

In the international setting also, the Commission points out, the prevalence of illiteracy in the country is humiliating. It robs of its meaning Article 26 of the Declaration of Human Rights which states that everyone has a right to education.

Tellingly the Commission draws attention to the lack of political commitment in the country to any programme of adult education. (The more cynical from amongst us are beginning to suspect that politicians have a vested interest in illiteracy).

Sustained Campaign Needed

The Commission recommend unhesitatingly "a nation-wide adherent and sustained campaign for liquidation of illiteracy, involving the central government and the state governments, all governmental, voluntary agencies and private organisations and industries, all educational institutions ranging from primary schools to universities and above all, all educated men and women in the country". The Commission considered that with well-planned efforts it should be possible to raise the country's percentage of literacy to 60 by 1971 and 80 per cent in 1976. In no part of the country, however backward, should it take more than 20 years to reach practically cent per cent literacy, *i.e.*, by 1985.

It is now time to ask ourselves : What exactly is literacy? It is not the mere ability to read and write. "Literacy, if it is to be worthwhile, must be functional, *i.e.*, such as to enable the literate not only to acquire sufficient mastery over the tools of literacy but also to acquire relevant knowledge which will enable him to pursue his own interests and ends. The Education Commission quoted in this context with approval the conclusion of the World Conference of Education Ministers on the Eradication of Illiteracy in

1965 (a conference which the Indian delegation headed by the then Education Minister Chagla and his small team, including Dr Durgabai Deshmukh, were prevented from attending by the outbreak of hostilities with Pakistan three days before the date of the conference).

"...Rather than an end in itself literacy should be regarded as a way of preparing man for a social, civic and economic role that goes far beyond the limits of rudimentary literacy training, consisting merely in the teaching of reading and writing. The process of learning to read and write should be made an opportunity for acquiring information that can immediately be used to improve living standards. Reading and writing should lead not only to training for work, increased productivity, a greater participation in civic life, a better understanding of the surrounding world but should ultimately open the way to basic human culture".

The Commission suggested that literacy programme should have three essential ingredients:

(1) help increase efficiency,
(2) generate interest in vital national problems,
(3) impart skills in reading and writing that would help in continuing education.

The problem of illiteracy calls for a variety of programmes for its solution. The first step essential is to arrest its growth by expansion of universal schooling of at least five years' duration as rapidly as possible in the age group 6—11. Since the percentage of girls is about half that of the boys, this is essentially a problem of the primary education of girls, which was exhaustively discussed by the National Committee for the Education of Women and Girls, under the the chairmanship of Dr Durgabai Deshmukh. For the age-group 11-14 who either missed schooling or dropped prematurely out on the school, part-time education is called for. Part-time general and vocational education is also required for young adults on the age-group 15-30 who received some years of schooling but failed to attain permanent literacy or to prepare themselves adequately for the demands made on them by the environment. Having regard to the dimensions of the problem (189 million illiterate adults — — age-group 15 plus) and the wider regional variations as well as to variance between men and women, the Commission recommended a two-fold strategy for combating illiteracy in the country, viz. (i) the mass-approach and (ii) the selective approach.

Comparative Merits

Before the comparative merits of the two methods are discussed it is necessary to refer to the criterion for literacy as indicated in the Census of 1961. The test for literacy was satisfied if a person could with understanding both read and write. This, it will be noticed, is a far lower criterion than that indicated by the Education Commission which may be called the functional literacy crtierion. All conventionaally accepted figures for literacy will have to be lowered considerably if only functional literacy is meant. The expected figure for simple illiteracy for 1968-69 is 350 million, being 65 per cent of the estimated population. It is also estimated that in 1968-69 out of the total population of about 230 million in the age-group 11-44 forming the working force, 150 million would be illiterate. This then is the minimum number to be dealt with in any systematic campaign for eradication of illiteracy. Since it would be demonstrably futile to leave the problem unsolved beyond 1985, if we have given 15 years for completely eradicating illiteracy, then very roughly, we have to make 10 million literate (out of these 150 million) every year. This means that in each of the 5,000 blocks in the country, 2,000 on an average should be made literate every year. This is not such a forbidding task, and with properly organised efforts one ought to be able to do better.

A Planning Group on Education, reporting on the Education Department in the fourth Plan (September 1968), expressed the view that a reason for the retarded growth of literacy was the inadequate support given to it in terms of finances and the low priority accorded to it in the succeeding Plans. In 1950-51, the expenditure incurred on 'social education' was Rs 86 lakhs (0.8 per cent) of the total educational expenditure of Rs 144 crores. In 1965-66, it was Rs 120 lakhs (0 2 per cent) of the total educational expenditure of Rs 600 crores. Thus while the total educational expenditure increased over four times, that on social education rose only 1½ times; while the proportion of expenditure incurred on social and adult education to the total educational development programmes in the first Plan was 3.3 which fell to 1.5 in the second Plan and to 0.5 in the third Plan. The group observed, pointedly, "Even in the literacy classes conducted in the country the main emphasis is on reading and writing without any regard being given to the functional aspects of the literacy programme". They noted furthermore, that the educational administrators had been adopting the conventional and orthodox methods without creating any motivation among the adults or mobilising voluntary public and political support for developing the programme.

Sensitive Age-Group

The group's recommendation was that in the fourth Plan the programmes of eradication of illiteracy should be taken up in a modest way by concentrating on the most sensitive age-group of 15-25, where the number of illiterates was estimated to be about 60 million. The other programmes were to be taken care of through better orgnisation, but without expenditure out of Plan allotments. The first stage could well be a mass movement largely dependent on the mobilisation of local resources, both of personnel and finance. Such a movement could be taken up by (a) educational institutions in neighbouring villages and towns and cities, and (b) non-student educated youth and other social workers in compact areas. Students, teachers, members of professional classes, educated people, etc. could be an important asset in this movement. This general campaign could be spear-headed by Adult Literacy Pilot Projects in selected areas. The first phase might be largely on a campaign basis, with the additional condition that the follow-up for taking neoliterates up to the functional standards would immediately follow without any gap between the two.

The main effort under these twin programmes would be to provide the first stage of literacy to 10 million literates in the rural areas, especially in the age-group 15-24 with ½ million made literate in the hilly and tribal areas.

These then were the main features of the mass approach. It is possible to regard the Grama Shiksha Mohim of Maharashtra as a somewhat specialised campaign of this nature. It must be assumed here in the metropolis of Maharashtra that the audience know more about this than the speaker. It is claimed that so far some 30 lakhs have been made literate through this unique effort at a cost of about Re 1 per head. The latest verdict from a very authoritative source in the central government that I have recently heard is that the follow up has not been satisfactory. The Maharashtra government themselves felt peeved that not a single functional literacy project had been allotted to their state, out of the 100 sanctioned, as a sort of penalty of success. I understand that this has since been rectified and some projects allotted to them recently.

This brings us to the so-called selective approach, about

which the Education Commission have a good deal to say in paras 17, 20 et saq. of their report.

A very important embodiment of the selective approach are the Functional Literacy Projects in the rural areas covered by the high yielding variety agricultural programmes. In 1968, there was some idea that there would also be functional literacy projects in conjunction with rural industries as also in urban and industrial areas. But these last two kinds have been deferred and attention concentrated on functional literacy projects in intensive agricultural development blocks of about 100 villages.

The larger programme was to be financed by the state and local community. It was proposed to cover 11 million illiterate adults, mostly in the age-group 15-24, in addition to ½ million under urban projects and two million industrial workers.

The provision and targets recommended by the Group for Adult Education in the fourth Plan were Rs 40 crores in all, for first stage of literacy in rural areas for 15 million persons, and 1.5 million in tribal and hilly areas, and functional literacy in rural areas including high yielding variety areas for 10 million, literacy in urban and industrial areas for two million and assistance to voluntary organisations to cover five million literates and in total for some 24 million. As against this it is depressing to see that the target set in the fourth five-year Plan is only apparently 3 to 4 million judging from the total provision of some 11 crores.

Reluctance to Face Facts

There is evidence to show that right from the beginning there has been a reluctance on the part of authority to face the fact that the cost of making an adult properly literate ranges between Rs 20 to Rs 30 per head. That this is incurred only once over a year and is less per year than the cost of Rs. 35 per annum for a minimum of 4 to 5 years for a child 6-11 years of age is overlooked. It is also not realised that the adult undergoes literacy education in his spare time whilst following his vocation (predominantly agriculture). It was the realisation of conditions like this, prompted by participation in the work relating to the Draft Education Plan for South and South-east Asia (1965) and discussion in the International Consultative Liaison Group formed by UNESCO that led Dr Durgabhai Deshmukh to undertake at the instance of the Government of India a Functional Literacy Project, with me as the project chairman, in the Shadnagar block of the Mahbubnagar district of Andhra Pradesh (some 30 to 56 miles from Hyderabad). A project report was submitted in September 1967 following a systematic preliminary survey of the area, consisting of 102 villages with a population of 104,000.

The introduction to this project report mentions that in

the Mahbubnagar district the percentage of literacy was only 13.5, (far below the national average even for rural areas). The survey of the block revealed the following state of illiteracy among people of the 15-45 age-group (by samples) of agricultural and non-agricultural households:

	Agricultural households	Non-Agricultural households
Literacy percentage	16.14 to 21.8	7.5 to 3.5

The bulk of these literate adults had been to school (about 50 or 60 per cent to primary schools, 16 to 22 per cent to middle schools, 19 to 26 per cent to high schools and a small fraction, 1 to 4 per cent to colleges. Of 100 per cent only 1 to 3 per cent were merely literate without having gone to any school).

Preparatory work after survey, consisted of training the teachers (a substantial proportion of whom were selected from among the literate farmers — a highly successful experiment) and the holding of a workshop for Telugu Writers to encourage them to produce suitable text-books and follow-up literature — (some 19 books were written and about 6-7 have already been printed). The co-ordination of vocational literacy has been successfully accomplished, thanks to the devoted efforts of the project officer, a retired block development officer. Experience showed that the period required for achieving functional literacy had been under-estimated. Nine to ten months are required, i.e. approximately a year, so that only one batch of literates can be produced by a centre (of 30 persons) instead of two. The expenditure per head works out to Rs 30. Both the longer period and the cost per head have been accepted by authority. The first *alumini*, some 900, received their certificates proudly at a convocation held at Hyderabad.

Pilot Experiment

Basing one's calculations on this very systematic effort, it may be estimated that some Rs 450 crores will be required over 15 years to make 150 million farmers literate. The pilot experiment is fully capable of extension all over the country and Rs 30 crores a year is not too high a price to pay for breaking the illitertae citizen's invisible fetters and ensuring a safer democracy.

Literacy Today issued by the Literacy International Committee (September 8, 1970) gives an interesting account of a Functional Literacy Experiment in an Industrial Environment in Brazil, UNESCO Pilot Project 1, UNESCO Experimental World Literacy Programme. This programme involving 32 wagon repair and maintenance workers and 48 miners, employed by a firm did not cost anything as the half-an-hour a day required for the programme was included in the working day and remunerated as such. The firm's productivity was not decreased by the curtailment of actual working hours, but actually increased. Workers progressed at varying rates in their reading, and as the experiment progressed the new literates became assistant teachers. Personal relations between the team leaders, the engineers and the illiterate workers improved considerably. Though the experiment was small, it was considered a success as an introduction to a modern functional approach to literacy training.

The target actually set by government under functional literacy is, alas, about 1/10 of that required. It is expected that in 100 districts covered by high-yielding variety programmes, about one million adult illiterate farmers would be made functionally literate by the end of the fourth Plan period. As in other undertakings and enterprises our efforts appear to be intended to be only symbolic and not calculated to make any appreciable impression on the situation. For all practical purposes, the citizen of India will continue to be fettered for at least a couple of generations more. Of the three life and death problems confronting the country, viz. population control, liquidation of illiteracy and conservation of our natural resources, there is not one that we are handling with success. On the contrary, as compared with the desiderata, the total effort, despite much high-faulting talk, is puny and feeble. Surely this way lies perdition. In the meanwhile, as the universal solvent of every tough problem the nation has celebrated an International Literacy Week (September 8-15, 1970) and an Indian seminar to plan National Literacy Quinquennium timed to coincide with the Literacy Day.

On the occasion of the International Year for Human Rights (1968) an International Conference on Human Rights was organised by the United Nations at Teheran (April 1968). A this conference an address was delivered by Mr Rane Maheu, Director-General of UNESCO — 'One must first be able to read', he pointed out, to make his responsible freedom a reality, and to be aware of the law which could protect him. To promote literacy is to change man's conscience by changing his relation to his environment. Literacy as well as enriching individual freedoms and rights is an integral part of the emancipation of communities and nations.

Solemn Appeal

To conclude I cannot do better than quote the Resolution (IV) adopted by the Second Committee of the International Conference on Human Rights, organised by the United Nations at Teheran on April 22 to May 13 1968, as a solemn appeal to all whether the state or the voluntary organisation or the individual, whether a believer in free enterprise or in any of the innumerable brands of socialism:

> Text of Resolution IV adopted by the Second Committee of the International Conference on Human Rights, organised by the United Nations at Teheran, April 22 to May 13 1968.

The International Conference on Human Rights:

Considering that literacy is a vital condition for the effective enjoyment of human rights, both civil and political, and economic, social and cultural;

Noting with regret that, despite efforts made by states and international organisations, there are still over 700 million illiterate persons throughout the world;

Considering that illiterate adults are defenceless in a society whose workings they cannot understand, into which they have no means of entering; and in which they are unable effectively to exercise or to defend their rights as proclaimed in the Universal Declaration;

Considering that the Right to Education is solemnly proclaimed in Article 26 of the Univeral Declaration of Human Rights and in many other international instruments, including the Covenant on Economic, Social and Cultural Rights.

Recalling the conclusions of the World Congress of Ministers of Education held at Teheran in 1965.

Bearing in mind the recommendations of the Consultative Liaison Committee for Literacy set up under the auspices of UNESCO, and the solemn appeal made by its chairman, Invites:

(a) The governments of all countries in which illiteracy is still widespread to increase the intellectual and mate-

rial resources marshalled to combat illiteracy, with a view to expediting the gradual elimination of this scourage;

(b) The governments of all countries, including those not faced with the problem of illiteracy, to intensify their co-operation with and support for programmes for the education of millions of illiterate men and women;

(c) The General Assembly of the United Nations to draw the attention of organs having responsibilities in the area of human rights to the importance of combating illiteracy as a means of ensuring the effective and positive enjoyment of rights possessed by every human being;

(d) The United Nations and its specialised agencies, especially UNESCO, to do their utmost to increase the contribution which literacy can make in the contemporary world to the safeguarding of peace, economic and social development, the emancipation of people and the promotion of rights and freedoms.

WINDOW ON THE WORLD

A Floating Exchange Rate

JOSSLEYN HENNESSY

LONDON:

I
THE POST-WAR EXPERIENCE

THE INTERNATIONAL monetary system is today challenged by many economists, and since most bankers, exporters, importers and others who trade across frontiers, can actually read, they inevitably form views as to which of the nostrums recommended seems likely to be adopted, thus adding a speculative challenge to the system.

Among cures frequently mentioned for the troubles that beset first one country and then another is a floating exchange rate.

A study of Canada's experience between 1950 and 1962 by Professor A.F.W. Plumptre of Toronto University, contributed to the OECD's newly published symposium, *Essays in Honour of Thorkil Kristensen*, is as topical as it is instructive. Since Professor Plumptre was until 1965 Assistant Deputy Minister of Finance in the Government of Canada, an Executive Director of the World Bank and the International Monetary Fund and Canadian representative on the OECD's Economic Policy Committee, its Working Party No 3, and the "Group of Ten" deputies, his views are entitled to respect as an authority with practical experience.

Outstanding Feature

An outstanding feature of Canada's experience was the "remarkable stability" that her floating dollar maintained. The attempt to defend an existing par value ($1.00 US = 1.10 Canadian) was abandoned in September, 1950, in the face of massive capital imports, and the Canadian dollar immediately floated upwards; by February 1952, it was at a premium over the US dollar. Thereafter continuously from 1952 to 1960 it floated with remarkably little movement at a premium, which never exceeded six per cent and was usually between two and four per cent. The period of float came to an end *de facto* in 1961 and *de jure* in May, 1962, when a new par value was set up ($1.00 US = $1.08 Canadian)

The various causes advanced to explain this prolonged stability of the floating Canadian rate include: the tendency of Canadian imports of capital to be accompanied by Canadian imports of goods (particularly capital goods); the tendency for business cycle movements in Canada and the USA to be similar; the Canadian rate floated on a "Sea of Tranquility" because other major currencies were pegged; the Canadian dollar began by floating upwards on the basis of confidence in the Canadian economy and its financial management; the widely held view that the Canadian dollar had a "natural parity" with the US dollar; the moderate and acceptable behaviour of the Canadian Exchange Fund; and the equilibriating effects of private short-term capital movements.

Value of the Market

Mr Plumptre is surprised that stability should seem surprising. After all, the exchange rate of a currency is formed by a market. In a reasonably stable economic environment, such as existed for the Candian dollar during the 1950s, a broad and responsive market may be expected to be reasonably stable. This elementary point of market economics is one that India's Ministry of Finance and planners should learn, mark and digest. Beliefs about the normal behaviour of exchange (or other) markets are perverted because there have been relatively few occasions when an exchange (or other) market has actually been left alone to look after itself without the anticipation of official direction. I should guess that since independence no market of any kind in India has been wholly left to work out the equation between supply and demand, which is why India's economy finds itself where it is today. Further floating rates have so often been associated with unstable conditions, as during the aftermath of World War I and the inter-war years of depression, that they have become identified with "inevitable instability".

The element in Canada's situation that has been most closely examined is the equilibriating effects of short-term capital movements. There is general agreement that short-term or speculative capital movements, including lags and leads, were an important stabilising influence. Some writers also point out that such movements were not self-aggravating or cumulative.

The declared intention of the authorities was: "Transactions of the Exchange Fund Account in the market in US dollars were directed to helping to maintain orderly conditions without preventing basic supply and demand factors from determining the level of the rate." Published statistics have been analysed to shed light on the operation of the Exchange Fund. Writers seem generally agreed that these operations were small and "stabilising", at least until the 1961-62 developments (discussed below). Those who have questioned the "stabilising influence" of the Exchange Fund have attached a special meaning to the word "stabilising". In fact, as official announcements make clear, the Exchange Fund was operated neither to promote stability in the sense of immobility nor in the sense of conformity to a pre-determined trend, but only to "lean against the wind" briefly in either direction in the event of sudden gusts. The authorities were ready at any time, to "make a market" on either side of the existing rate. They formed no opinion about where the market ought to go. The only opinion on which they acted was that the market ought not to move sharply in either direction. In this they may have lessened the likelihood of self-aggravating "speculative" movements of the rate. Further, they did establish that it is possible for an authority to "tend" a floating rate without fighting the private market and without provoking market speculation about the nature and intentions of their own dealings.

II
THE INTER-WAR EXPERIENCE

Actually, the Canadian exchange market had, in an earlier decade, shown, that it was able to look after itself without attentions from the authorities. During the 1930s, until the outbreak of war and war controls, the Canadian rate was afloat and behaved well. Throughout those years there was no official intervention.

Indeed, during the 1930s, the Canadian dollar was afloat in a broader sense than was probably true of any other currency at that time. It was neither "tended" as the various key currencies were tended by their authorities after sterling quitted gold in 1931, nor was it tied to any key currency, as were almost all the world's satellite (non-key) currencies. This was because the Canadian economy had been attached, not to one but to two world economies — the USA and the UK. Accordingly when the Canadian dollar floated, it floated about half way between the US dollar and the pound-sterling and without particular stability towards either. Yet, despite the generally disturbed economic and financial conditions of the time,

and although (or because) no attempt was made at official tending, the Canadian dollar did not behave in an unstable way, and short-term capital movements were self-correcting, not self-aggravating. While the Canadian dollar may have floated on a "Sea of Tranquility" between 1950 and 1960, it did not do so two decades earlier; it did not need such a sea in order to establish its inherent seaworthiness.

During the 1930s the Canadian exchange rate was less stable, in the sense of less immobile, than in the 1950s. Nonetheless it was stable in that its movements were orderly, not erratic or oscillating, and it was performing its market function in equilibriating demand and supply. Indeed, too much attention has probably been paid to the "remarkable stability" (i.e. to the narrow range of movement) of the rate in 1952-60. This stability was, in a sense, accidental in that at different times it was the result of different forces. In the first half of the period the rate maintained its premium over the US dollar as a result of natural bouyancy, in the second half as a result of what many consider was mistaken policy.

III

POST-WAR TURNING POINT

The year 1956 was a turning point. Before that all things seemed to work together for good. The initial and substantial appreciation of the dollar, in the year and a half after it was freed from control in 1950, prepared the way for a massive yet orderly and non-inflationary expansion of the economy based on a massive inflow of capital. With the higher value of the Canadian dollar, price increases were moderated, yet economic growth was strong, unemployment low. Moreover, the floating rate provided to those responsible for Canadian financial policy, extra flexibility, although not irresponsibility *vis-a-vis* the USA.

Subsequently, however, growth faltered, prospects clouded, and serious unemployment emerged. It was astonishing bad luck for the Conservatives, who had previously managed to get themselves elected at the beginning of the 1930s depression, that they next managed to do so in 1957. It was also bad luck that Canada's financial management, which had previously been far-sighted and clear, should have become schizophrenic about the same time. The tensions of the period culminated in a request by the government in May, 1961, to the Bank of Canada's Governor to resign.

In 1956, an important change was taking place in the capital inflows. Previously these flows had been largely direct investment, but from 1956 they were largely in forms responsive to interest differentials between Canada and the USA. In 1956-57 the main flow was in portfolio investments. Later it chiefly consisted of short-term capital. Moreover, from 1956, the interest differentials tended to widen and the exchange value of the dollar, which had hovered close to parity with the US dollar early in 1956, rose on the strength of induced capital imports. Despite an unemployment index which ranged between six and eight per cent, annual import surplus of goods and services persistently exceeded $1,000 million from 1956.

The System Never Broke Down

It has been suggested that the floating system, which apparently worked so well after 1950, began to break down in 1956 and thus had to be abandoned in 1962, but what broke down after 1956 was not the system but the previous purposeful and perceptive financial management.

By the end of 1960 it had become clear that the government and the governor were pulling in different directions. In a "baby budget" in December, the government announced tax changes designed to lessen capital imports. Nevertheless interest rate spreads continued to offer strong incentives to such imports. In the next few months the dollar weakened slightly but did not even fall to parity with the US dollar; net imports of capital, along with net imports of goods and services, remained high despite persistent unemployment.

In the June, 1961, budget the govenment, having by now requested (but not received) the Governor's resignation, made an important announcement about the exchange rate. "No one can say today what the appropriate level of our exchange rate would be when our balance of payments is in a position better suited to our present economic circumstances. But the rate will certainly be lower than it has been of late, and it may well be appropriate for it to move to a significant discount. It will be government policy to facilitate such a movement."

Following this, the dollar obediently fell past parity with the US dollar to a modest discount. But the market now knew not only that the authorities had a view as to the proper level of the rate, but also that they intended to impose it. From then on anticipations about the future of the rate were no longer confined to economic and financial considerations. Speculation increasingly centred upon what position the government was likely and able to take in the market. Nor could the authorities, having once asserted their interest in the rate, credibly renounce it in the expectation that the market would thereafter behave as if nothing had happened.

For some months after the June budget the market seemed to expect a return to parity with the US dollar. As the statistics show, the authorities were holding the dollar down. Early in 1962, however, and particularly after a general election (with strong financial overtones), market opinion altered sharply. The government ran into increasing difficulties in supporting the dollar at about five per cent below the US dollar. On May 2, with the election in full blast, the government returned to the fixed parity system at a discount of 7.5 per cent. At that unsettled moment the market was not willing to accept even this rate, and heavy downward pressure on the dollar continued. Immediately after the election, however, there was a tightening of financial policy, massive external support was mobilised, and within a few months the new par for the dollar was firm.

IV

THE CONCLUSIONS

The IMF's attitude towards these events is instructive. In 1950, the IMF acquiesced, without enthusiasm, in Canada's abandonment of an established parity. It had accepted a floating rate for the Belgian franc some weeks before. That the IMF should have been willing to accept another important break in the new par value system was no doubt partly because Canada had experienced, over the five preceding years, real difficulties in establishing and maintaining an acceptable and defensible parity ($US 0.90 throughout the war raised to $US 1.00 at the time of the premature post-war disintegration of US price controls in 1946; reduced to 0.90 in September 1949, when the currencies of the UK and other normal outlets for Canada's exports were devalued by 30 per cent; and then less than a year later, faced by an indigestible inflow of speculative capital). Moreover, while departing from the IMF agreement about parity, Canada was supporting other basic IMF objectives for expansion of international trade, the elimination of restrictions and discrimination, and the acceptance of currency convertibility.

As time went on, the IMF drew further comfort because the Canadian dollar floated upwards, not downward in competitive depreciation, and then remained stable. By 1953, the IMF had become reasonably accustomed to Canda's aberration. The 1953 Annual Report reviewed Canada's problems sympathetically and concluded: "It thus appears that in the circumstances

of Canada's economic position and governmental policies the freely fluctuating rate has, in fact, moved only moderately, the capital movements have accordingly not lost the important benefits that are commonly associated with rate stability. As the Fund's 1951 report indicated, the Canadian government remains in consultation with the Fund."

IMF's Acceptance

While the IMF can accept a floating rate, which really floats on market forces, and which the national authorities either leave alone or tend merely to moderate sharp movements, it would not accept an allegedly floating rate over which the authorities did in fact exercise positive influence. This was just the sort of action out of which the competitive depreciations of the 1930s had developed and which the IMF had been set up to prevent. Accordingly, following the Canadian government's announcement in June, 1961, there could be no question what the IMF's attitude should be towards Canada's exchange situation. This attitude was, of course, conveyed to the Canadian government before it took the decision to return to the parity system in May, 1962.

Would the IMF have been able to accept a situation rather different from that which did in fact emerge? Suppose that, following 1956, Canadian financial policy had been different, that the interest differentials which kept Canada's dollar at a premium over the US dollar had not been allowed to develop, that the capital inflow had diminished, and that the exchange rate had fallen to a discount with alleviating effects on the current account deficit and the level of unemployment. Would the IMF have found such a situation acceptable or would the downward movement of the exchange rate, however, explicable in terms of the economic circumstances, have precipitated pressures on Canada to abandon the floating rate?

From his later experience with the IMF, Mr Plumptre stresses that such a situation could have been accepted by the IMF and also by the international financial community including the USA. In other words, he believes that the test of acceptability would not simply have been whether the exchange rate continued its "remarkable stability", but that the IMF would probably have taken a broad view of Canadian financial policy as a whole. If this policy were directed towards constructive domestic objectives, including the reduction of a level of unemployment that by international standards was excessive, and if Canadian policy were at the same time non-aggressive, non-disruptive internationally, he believes that the IMF would not have rejected it merely because the exchange rate moved to a lower level. Moreover, particularly in the light of pre-war experience, he sees no *a priori* reason to believe that the market itself would have found more difficulty in arriving in an orderly manner at (say) a five per cent discount in relation to the US dollar than it had quite recently in arriving a five per cent premium.

Whether or not Mr Plumptre's answer to these hypothetical questions are right, looking back, he believes that there are two basic criteria on which the international community must insist when any country allows its exchange rate to float.

First, the intervention of the national authorities on the market must be passive, defensive and neutral. They must respond to, and cushion, action on the part of others. They must never initiate movements; they must not be more defensive in one direction than the other. If they are, they will be open to the charge, on the part of the market, that they are manipulating the rate rather than allowing market forces to prevail. The Canadian authorities did limit themselves in this way from 1950 to 1960 but from early 1961 to May, 1962, their actions, while still non-aggressive, were no longer neutral.

Secondly, since any exchange rate, whether floating or pegged, is affected by monetary, fiscal and other policies, a country with a floating rate must expect to expose and discuss its whole range of policies with others in the international community. The consultations that take place, country by country, in the IMF, and also in OECD and other bodies, do not become unnecessary merely because one exchange rate policy is substituted for another. It may, in fact, be argued that the need for consultations, designed to minimise the adverse economic effects of economic actions of one country on its neighbours, may be even greater under a floating than under a fixed rate. The "rules of the game", the "codes of acceptable behaviour" are, of course, different; but rules and codes there must be if economic warfare is to be prevented and peace to prevail.

The Frustrated Farmers of Europe

E. B. BROOK

VIENNA:

FROM ALL one reads of prosperous Europe, with its steadily rising gross national product, expanding exports and freer movement of labour and transport the sour tone of dissatisfaction would not be expected, least of all from that fiscally pampered community, the farmers.

But the contrary is the case. From its northern limits to the toe of Italy the booming Common Market's farmers are not only discontented but they also often express their discontent in riot. The Italians have ironically paid transport firms to carry their peaches away to rubbish dumps rather than sell them at the Market's price; French farmers have been more extensively destructive in their frustrated anger. Farmers in southern France have pulled up railway lines and otherwise stopped trains by lighting fires on the tracks. Pitched battles with the tough French riot police have been frequent. In the slightly less temperamental north, French farmers have also stopped trains to protest their indignation at the poor prices they receive for their products and in Belgium 6,000 farmers recently rioted in Bastogne. Easter week-end is likely to see some more fighting with the police, for the farmers are proposing to impress the public and holiday tourists with their anger once again by setting up road blocks from the Alps to the Pyrenees.

Nor is this a matter of Gallic and Latin and Latin effervescense. No one can describe northern Germany's farmers, some of them part-time agriculturists, to fill in their industrious lives, as anything but matter of fact and stolid. But from Flensburg in West Germany's most northern state of Schleswig Holstein down to Bavaria farmers have demonstrated by blocking the roads with their tractors, threshing machines and lorries and have halted them across railway lines; a little less destructive than the the French, perhaps, but just as angrily dissatisfied with their earnings from farming within the Common Market's economic complex.

Stuttgart has seen these German farmers demonstrate with huge black banners and in the federal capital, Bonn, farmers put on the biggest political demonstration ever seen there. They told Chancellor Brandt their earnings were so meagre that they had "nothing to lose any more" to which Brandt responded in Parliament by pledging that his government would not leave West Germany's 2,215,00 farmers in the lurch. In France, President Pompidou

has similarly felt the necessity to be placatory. While the West German Chancellor supported the farmers' claims for higher prices within the Market and ignored the urgent need to put German farming on a sounder economic basis by combining some of its very small farms into bigger and more economic units, President Pompidou went even further and denied there was any justification for reducing the number of small family farms in France.

Two and a quarter million farming families in West Germany and nearly four million of them in France mean a lot of votes to political parties and an almost unmanageable source of trouble when they are unitedly dissatisfied — which is the case now. Municipal elections in France and two states' elections in West Germany undoubtedly help to explain the national leaders' care which may become less tender when their electoral needs have been satisfied.

Universal Dissatisfaction

But, even so, the farmers' massive and universal dissatisfaction will continue and increase unless calmed by remedies. Outside the Market, also, Austria — which has long sought an association with the Market and has warned EFTA it may leave its company — is having trouble. This weekend (March 21) the capital's main streets are being blocked for hours by farmers demonstrating with their tractors, provincial capitals have already seen similar protests and a national cessation of milk supplies is threatened.

The reasons for this agricultural resentment are that, despite subsidies which burden the national finances and the production of mountains of butter, the farmers find their income stagnating while other sectors of the national economies prosper and domestic prices rise steadily.

In France during the last five years the average wage rose by 4.5 per cent annually, businessmen's income by 5.9 per cent, but farmers' earnings advanced by only 2.9 per cent. The farmers remained their economies' poor relations living on farms often remote and usually sadly old-fashioned. In West Germany, too, a vast gap separates industrial and farm wages and, as in many cases in east Europe also, non-obligatory old age pensions face the hundreds of thousands of elderly farmers and their wives with a bleak ending to lives of physical hard work.

Nowhere can such discrepancies between sectors of national economies exist safely; social justice calls for a remedy and the irritated resentment of sturdy men will sooner or later ensure that a remedy is produced. The alternative is a massive desertion of the land by the younger farming families which is already a disturbing development in both west and east Europe.

West Europe's farmers are increasingly convinced that they are the victims, if not of exploitation, of a neglectful sense of superiority in a world chiefly devoted to industrial markets. While the USA almost aggressively cares for the interests of its farmers in foreign markets which increasingly close their doors to outsiders' products, west Europe discourages its farmers by holding agricultural prices low while protecting them from foreign competition. The farmers are convinced that the residual benefit lies with the consumers who can still buy cheaply — though not so cheaply as before — and not the producers. The unusually high prices to outsiders maintained by the Common Market with the purpose of supporting the small private farms have proved insufficient because the political power of the urban buyers is more effective in national politics than that of the rural sellers. At best, these prices have encouraged a production of surpluses that prove unsaleable because the farmers, being the world's basic conservatives, decline to use fiscal support made available to them to modernise their methods, co-ordinate their products or rationalise the size and management of their holdings.

While the farmers are discontented because they do not use their advantages to rationalise production, the consumers are also discontented because the Market's farms are a heavy expense to them. The annual cost of each farm to the West German taxpayers is £1,500 and to the French taxpayer nearly £800.

For several years the hapless agricultural chief of the Common Market, Dr Sicco Mansholt, has urged west Europe's farmers to merge their holdings into larger units to make them economically manageable and profitable and everywhere he has been heard either in rigid silence or shouted down. Eight out of ten of west Europe.s farms are too small to keep an efficient farmer busy all day and none of them will be profitable however much Market money is pumped into them until they rationalise their size and production.

In west, as in east Europe, the farms are the weakest sector of the community and the most likely to spoil the bright prospect of success that promises if only plans and schemes for rationalisation are fulfilled. But anyone who knows Europe's farmers, or perhaps farmers anywhere, will know how remote is the likelihood of them complying with a general scheme that disturbs the relatively even tenor of their everyday life. In Europe, east and west, it is the most muddy constituent of the economies that threatens most seriously too spoil the economies' chances.

Trade Winds

CAR PRICES

CAR PRICES are likely to increase as a result of the recommendation of the Car Prices Commission. The increase may range from about Rs 2,000 in the case of Ambassador (being the biggest of the three with as much as 95 per cent indigenous content) to about Rs 1,000 in the case of Fiat and Standard Herald. The Car Prices Commission was appointed by the union government under a directive of the Supreme Court following a writ petition filed by the three car manufacturers who had challenged the prices fixed by the government statutorily in September, 1969. The commission was headed by Mr Sarjoo Prasad, former judge of the Patna High Court. The increased prices have been recommended by the commission on the basis of the cost data existing in July last year. The commission is also understood to have recommended an increase in dealer's commission for each model. Another recommendation of the commission which is of vital importance to the car industry, it is learnt, is that the industry should be declared a "priority" industry. This will help the car manufacturers secure liberal foreign exchange for importing scarce raw materials and adequate supply of quality material from the public sector steel plants. The commission is also believed to have supported the manufacturers' plea for a reduction in the incidence of taxation as also for expansion of existing units so that more cars are available to the public. On the question of quality, the commission is reported to have favoured the manufacturers' contention that control over quality should be exercised at the level of ancillaries. To exercise quality control merely at the level of the final product would be meaningless.

TYRE SHORTAGE

Mr R.G.S. Nairn, Chairman, Automotive Tyre Industry of India, indicated recently that there was some shortage of tractor tyres and rayon tyres of certain sizes for trucks and buses in the last quarter of 1970 but it has eased considerably from the beginning of this year. The improvement in the supply, he pointed out, was due to the recent rise in the production of all the automotive tyre factories in the country and the special steps taken by the industry to ensure equitable distribution of tyres at fair prices. The position would have improved still further, he added, but for the interruption in production in a leading factory in northern India due to shortage of electricity. The tyre industry, despite the fact of overall cost increases, also voluntarily reduced the retail prices of tyres and tubes for trucks and buses in the replacement market on an average of Rs 7 per tyre with effect from January 1, 1970.

JOINT VENTURES ABROAD

For the speedy disposal of the proposals received from the Indian entrepreneurs intending to establish industrial joint ventures abroad, the union government has prescribed an application form for projects having a total investment of Rs 10 lakhs or more. For the projects having total investment of less than Rs 10 lakhs the prescribed form is not compulsory. For the proposals already received by the government from Indian entrepreneurs fresh application on such prescribed form is not necessary. Forms of application can be had from the Deputy Director (Overseas Investment Cell) of the Ministry of Foreign Trade (Udyog Bhavan), New Delhi.

BANK OF BARODA IN FIJI

A new branch of Bank of Baroda was opened in Labasa on March 27, by Mr Wesley Barrett, Minister of Finance, Fiji government, before a large and distinguished audience including Minister of Commerce and Industry, Mr Vijay R. Singh, High Commissioner of India, Mr A.P. Venkateswaran, and members of the Parliament.

CASHEW KERNEL EXPORTS

The Minister of Foreign Trade, Mr L.N. Mishra, stated recently in the Lok Sabha that the import of raw cashewnuts was canalised through the Cashew Corporation of India with effect from September 1, 1970. The Cashew Corporation has been able to successfully import adequate quantities of raw nuts for distribution to the processing units. Most of the cashew processing units close in the month of September and October to re-open by January or February. Some of the processing factories have still not re-opened because they have heavy stocks of cashew kernels for which they have yet to find foreign buyers. The major reason for accumulation of stocks of cashew kernels was inadequate purchases made by USSR. The problem now being faced by the industry, the minister pointed out, is of a temporary nature. The government is also making special efforts to locate new markets. A long-term marketing strategy is being worked out and the Cashew Export Promotion Council has been asked to step up its export promotion effort, he stated.

COST OF POWER GENERATION

Steps to reduce the cost of power generation and its distribution, speeding up the rural electrification programme and preparation of a long-term co-ordinated planning of hydro, thermal and nuclear projects to meet the growing power demands have been recommended by the Power Economy Committee set up by the union Ministry of Irrigation and Power. Mr K.L. Vij, chairman of the 11-member committee of experts, presented the final report to Dr K.L. Rao, union Minister of Irrigation and Power, on March 30, 1971. The report observes that under the existing conditions in the country, the hydel schemes constitute the most economic source of electricity production. Apart from their intrinsic economy, hydro schemes designed for complementary peaking with thermal/nuclear stations enable better utilisation of available generating capacity and energy potential. The estimated cost of power from nuclear stations based on heavy water reactor technology indicates that atomic power would be competitive with prevailing cost of thermal stations located remote from the collieries. It therefore suggests that in order to produce cheaper electricity, the bulk of new generating capacity to be added during the fifth and sixth Plans should be derived from hydro sources, both of energy intensive and peaking categories.

NEWSPRINT ALLOCATION

Various suggestions for the newsprint allocation policy for the year 1971-72 were considered by the Newsprint Advisory Committee which met recently under the chairmanship of the Minister of State for Information & Broadcasting, Mrs Nandini Satpathy.

The members urged for larger allocation of newsprint on the basis of increased circulation of newspapers during the past few months. In regard to periodical publications, it was suggested that the component of NEPA newsprint should be completely eliminated from their allocations as this came in the way of quality printing. In regard to the progress of newsprint manufacture in the country, the members were informed about the setting up of Hindustan Paper Corporation and of newsprint plants in Kerala and Himachal Pradesh. (The Kerala plant in the public sector and Himachal Pradesh plant in the pri-

vate sector will have capacity of 75,000 and 60,000 tonnes per annum respectively).

EMPLOYMENT-ORIENTED PLANS

The Prime Minister, Mrs Indira Gandhi, stated recently that the guidelines issued for 1971-72 annual plan formulation laid stress on the need to give high priority to sectors with high employment potential such as agricultural programmes, roads, and comunications, village and small industries, elementary education and water supply. She added that the details of the annual plans were yet to be received from the states. The position would be reviewed again in the light of a mid-term appraisal of the Plan which was proposed to be undertaken shortly. The Prime Minister added that the interim budget for 1971-72 embodied a provision of Rs 50 crores for a crash scheme for rural employment to be executed by the states. This provision was however kept outside the Plan for the present.

ACCENT ON PRODUCTION

The union Minister for Industrial Development and Internal Trade, Mr Moinul Huq Choudhury, told newsmen here last week that his two major objectives in the immediate future would be to help raise production and expand employment opportunities. In the backward states, he thought, apart from encouraging larger houses to set up industrial undertakings, it would be judicious to foster the growth of small and medium-scale industries. If the larger houses did not go to the backward areas in a big way, the gap, he said, would have to be filled by the public sector. An important measure being considered for speeding up the growth of backward states like Assam, Mr Choudhury revealed, was the provision of transport subsidy. With a view to raising production, imports of scarce raw materials, Mr Choudhury said, were being arranged. Concerted efforts were being made to re-open the closed units; some of these have already been taken over by the government. The other major bottleneck in the way of production namely, labour trouble, Mr Choudhury thought, would gradually dissolve itself following the mid-term election. The investment climate, he felt, should also improve considerably in view of the political stability brought about in the country. Mr Choudhury expressed himself against the grant of autonomy to states for industrial planning. He thought that such an autonomy might lead to chaos in a country like ours where resources were limited and private industry did not enjoy the reputation that big business had in the United Kingdom or the United States. Mr Choudhury agreed that a lot had to be done for improving the working of public sector units. He, however, stressed that fresh investments in the public sector should not be held up because the existing units were not yielding the results expected of them.

TRADE WITH RUMANIA

A new five-year trade & payments agreement with Rumania was signed in Bucharest on March 24, 1971 by Mr S. Than, Ambassador of India in Rumania, on behalf of the Government of India and Mr Cornel Burtica, Minister of Foreign Trade, on behalf of the Government of the Socialist Republic of Rumania. The first trade agreement with Rumania was signed in 1954. Indo-Rumanian trade which was at a level of only three lakhs of rupees in 1953 rose to Rs 14.35 crores in 1969 and is estimated to have risen to over Rs 20 crores by the end of 1970. The new agreement contains new clauses providing for joint co-operation in third countries, exploration of new avenues of industrial co-operation which will increase trade exchanges in existing and additional fields and increasing contacts between the Indian and Rumanian trading, manufacturing and actual user organisations. The trade protocol signed for 1971 with the long-term trade and payments agreement envisages a further increase of 10 per cent in the two-way trade exchanges. Discussions have indicated that the same tempo of growth can be maintained in the succeeding years. In the export list the most important feature is the steadily increasing export of iron ore to Rumania. The other major items will be tanned hides and skins and finished leather, coffee, deoiled cotton seed extractions, cotton textiles, jute manufactures, coir products, machine tools and other engineering goods, carpets etc. On the import side major items will be oil prospecting and drilling equipment, ships, tractors, rolled steel products, petroleum products, fertilisers, pharmaceutical intermediates, various organic and inorganic chemicals etc.

PAYMENTS TO I.M.F.

With the payment of $55 million to the International Monetary Fund on March 26, 1971, this country has completed all her repayment obligations to the Fund. At the beginning of 1970-71, the outstanding drawing stood at $205 million. In addition, during the year India had to pay to the Fund $47.5 million in gold and $142.5 million in rupee securities because of the increase in her quota from $750 million to $940 million. It will be recalled, three years ago, that is in 1967-68, India's outstanding drawings from the IMF stood at $450 million. The drawings reached this peak figure because of the severe drought of 1965-66 which had adversely affected the balance of payments position. Complete repayment of obligations has been made possible by the improvement in India's foreign exchange reserves. In recognition of the improvement, IMF designated India in 1970-71 to provide foreign exchange amounting to $76 million in exchange for SDRs under the scheme of the Special Drawing Rights. India has actually provided the equivalent to 40.8 million dollars under this arrangement.

SODA ASH PLANTS

The union government has invited applications for industrial licences under the Industries (Development and Regulation) Act, 1951, from entrepreneurs who wish to establish plants for the manufacture of soda ash and caustic soda. Along with the application, the applicants are required to give all relevant information including, *inter-alia*, total capital cost of the scheme, total foreign exchange requirements, rupee requirements for the scheme, clearly indicating the sources from which these will be financed. In the case of soda ash those who wish to expand their existing plants to a more economic size may also apply. The new units adopting standard solvay process should be for a capacity of about 400 tonnes per day. In the case of modified solvay process, the new units should be for a capacity of at least 200 tonnes per day each of soda ash and ammonium chloride. Proposals based on maximum utilisation of indigenous plant and machinery as well as technical know-how will be given preference. In the case of caustic soda they should give detailed feasibility report specifying clearly as to how they propose to utilise or dispose of the production of chlorine. Those who wish to expand their existing plants to a more economic size of 100 tonnes per day or more may also apply. The new units should be for a capacity of about 100 tonnes per day each with the latest technology. The applications should reach the Ministry of Industrial Development and Internal Trade (CLP Section), Udyog Bhavan, New Delhi by June 30, 1971.

NAMES IN THE NEWS

Dr Ravi Mitra, until recently Deputy Technical Manager, Oil India Limited, at its field headquarters at Duliajan, upper Assam, has been appointed, on transfer to the Managing Director's office in New Delhi, as Senior Technical Adviser.

Company Affairs

STATE BANK OF INDIA

MR R.K. TALWAR, Chairman, State Bank of India, stated at the annual general meeting held recently that the profits of the bank declined slightly in spite of the substantial increase in the volume of business handled. The decline was mainly due to the increased operational costs during the year. He pointed out that there was considerable expansion of credit during the last three years in the banking system, mainly due to deliberate public policy. There was a re-orientation of lending operations. Credit expansion increased due to food procurement operations and also due to fertiliser distribution operations of the state governments and the Food Corporation of India The banking system was in a position to take up this activity mainly due to the refinancing support available from the Reserve Bank of India, he added. There was also an unprecedented demand for credit from sugar industry because production in this industry reached record level for two successive years but the off-take of sugar was slow and the banks were obliged to provide finance against large stocks. It was in this context that Mr Talwar wanted the recent monetary restraints, particularly the stringent net liquidity requirements designed to discourage the commercial banks' borrowings from Reserve Bank of India, to be reviewed.

Regarding interest rates on deposits, Mr Talwar stated that in this country deposits could not be considered very interest elastic, still with a rise in lending rates, proportionate benefits should be passed on to the bank depositers. Some financial institutions such as Life Insurance Corporation and Unit Trust of India on the other hand operate in the inter-bank call money market and command a high return, as high as 11 to 12 per cent, on its day-to-day lending. When these financial intitutions were permitted to operate in the inter-bank call money market, even though they were not banks, their entry was justified on the ground that this would improve the liquidity of the banking system, he added. The position was more or less the same in the case of the co-operative banks, he pointed out. Some of these banks, taking advantage of their exemption from the deposit rate directives of the Reserve Bank of India succeeded in extracting a stiff price from the banking system for their deposits. He therefore urged that not only on considerations of fairness but also of wider issues of investment, individuals and institutions should be put on an equal footing in the matter of return on surplus funds.

Mr Talwar stated that the pace of branch expansion programme of commercial banks has been very fast in the recent past. Severe strains had, therefore, developed on the organisational and trained man-power resources of the banking system as a whole. He stressed the fact that measures would have to be taken to consolidate the gains in respect of advances to the priority sectors as well as opening of new branches. He suggested that the pace of progress in these two spheres must be related to the growth in qualitative and quantitative terms of the organisational infrastructure and vice versa. For this purpose, it would be necessary for the commercial banks to realign their organisational patterns so that they might regain their poise and proceed with renewed confidence and vigour.

INDIAN ALUMINIUM

The working of Indian Aluminium Co Ltd was fairly good during 1970, except at Hirakud where production suffered due to a three-month strike. Smelter production amounted to 61,665 tonnes, some 48 per cent over the 1969 figure of 41,561 tonnes. This increase is accounted for by the additional output from the Belgaum smelter where the year's production of 27,210 tonnes compared with 1,128 tonnes in 1969. Production at the Hirakud Smelter at 16,198 tonnes was, however substantially below the 1969 figure of 22,576 tonnes. Operations at this smelter have been satisfactory since the strike ended on April 27, 1970. The Alupuram smelter produced 18,257 tonnes, which was a record for this smelter. The Muri alumina plant operated at the rated capacity during the year and bauxite mining at Lohardaga kept pace with Muri's requirements. At Belgaum, hydrate production started in March, 1970 and alumina calcination in August. Output from the alumina plant at Belgaum is still relatively low but significant improvement is expected during the course of the next few months. At the sheet rolling mill at Belur, the extrusion press at Alupuram and the foil Plant at Kalwa, record production levels were achieved during the year. Powder and paste production at Kalwa was slightly lower than in 1969 due to some weakness in the demand. With continued high demand, the Properzi mill at Alupuram achieved high levels of productivity and substantially increased production over 1969.

INDIA TOBACCO

India Tobacco Company Ltd concluded an agreement recently with the Sudanese Tobacco Corporation for the export to the Sudan of manufactured cut tobacco, printed material to manufacture cigarette packets and tipping material for cigarettes. These Indian products, which have never been exported out of India before, are worth over rupees 50 lakhs in value. Deliveries are to be completed within one year. This is the second substantial export order obtained by ITC in recent months the first being one for the export of cigarettes to Russia valued at approximately one crore rupees. Supplies of these cigarettes have already commenced. A sister concern of India Tobacco, Indian Leaf Tobacco Development Company Ltd, was awarded the union government's certificate of merit for outstanding export performance during the period 1966 to 1968 for having earned foreign exchange on exports of unmanufactured tobacco of a value of Rs 15 crores.

HERDILLIA CHEMICALS

Sales of Herdillia Chemicals Ltd during the year 1970 increased from Rs 550.29 lakhs to Rs 736.60 lakhs and other income from Rs 3.09 lakhs to Rs 5.05 lakhs. The total income has thus gone up from Rs 553.38 lakhs to Rs 741.65 lakhs. The company has taken up its gross profit from Rs 73.16 lakhs in 1969 to Rs 167.25 lakhs in 1970. The profit after depreciation comes to Rs 62.94 lakhs against a loss of Rs 30.73 lakhs in the previous year. The profit has been adjusted against the previous losses with the result that loss carried forward for 1971 stands at Rs 106.02 lakhs.

POLYSTEEL

Polysteel (India) Ltd. proposes to issue capital of about Rs 30 lakhs for public subscription sometime next month. Initially registered as a private limited company under the name Concast Private Ltd the company has been recently converted into a public limited company under its new name. The company has an authorised capital of Rs one crore and an issued capital of Rs 60 lakhs (Rs 55 lakhs in equity and Rs 5 lakhs in preference shares). The directors and their friends will subscribe to the equity capital of Rs 27.5 lakhs. The company proposes to set up a project of converting scrap into billets. The plant is being erected at Bhavnagar (Gujarat). Land has been ac-

quired. Orders for machineries have been placed. Trial production of the first arc furnace is expected to commence by June 1971 and commercial production by July. The capacity of producing billets/ingots from scrap will be 50,000 tonnes. Production is expected at 80 per cent of this capacity, that is, 40,000 tonnes. The estimated requirement of the proposed plant will be about 4,000 tonnes per month of scrap, which will be readily available in Bhavnagar. At present, this port exports about 8,000 tonnes of scrap per month. The capital cost of the project is estimated at Rs 1.04 crores.

SOUTHERN TRAWLING

Southern Trawling Company Limited entered the capital market on April 7, 1971 with an issue of 11,000 equity shares of Rs 100 each. The issue will close on April 16 or earlier at the discretion of the directors but not before April 13, 1971. The company has authorised capital of Rs 40 lakhs and subscribed capital of Rs 9 lakhs. The entire present issue has been underwritten. The company's main object is to do fishing with the aid of medium sized mechanised boats of approved design. The company's factory will be established in Mangalore with the object of freezing shrimps and other marine products for export market. The first batch of boats is expected to be in waters by July, 1971. The company has already commenced its activities by arrangement with other factories and has already exported frozen shrimps of considerable value to the United States. The factory is to be located at Hosabettu village in Mangalore, near the Panambur harbour project.

SURAT ELECTRICITY

The Surat Electricity Company Limited has announced a 'rights' issue of 30,000 equity shares of Rs 100 each at par. The shares will be offered to the existing shareholders in the proportion of three shares for every seven shares held. The proceeds of the issue will be utilised for financing part of the development for laying out power distribution facilities within the licensed area of supply of the company. The last date for submitting the application is April 23. Looking to the growing demand for power the directors have estimated a capital expenditure of Rs 188 lakhs for the current as well as the next two year. The company's internal finance accruals for these years are estimated at Rs 65.87 lakhs leaving a shortfall of Rs 122.13 lakhs. This is proposed to be met partly through the present issue of Rs 30 lakhs, a debenture issue of Rs 50 lakhs and the balance of Rs 45.30 lakhs, after adjusting tne surplus balance of Rs 12.50 lakhs at the beginning of 1970-71, to be met from borrowings. A sum of Rs 50 per share is payable with the application. The new shares will rank for dividend on the amount paid up from the date of allotment.

SARANGPUR COTTON

Sarangpur Cotton Mfg. Co Ltd has recorded a gross profit of Rs 1.03 crores during 1970 as against Rs 88.83 lakhs in the previous year following an increase in the sales to Rs 8.85 crores from Rs 7.99 crores. The board of directors of the company has, however, decided to maintain the dividend on equity shares at Rs 32 a share, subject to tax, for 1970. The allocations are: Rs 42.98 lakhs for depreciation, Rs seven lakhs for development rebate reserve, Rs 99,381 for previous year's taxation and Rs 30 lakhs for taxtion. The net profit amounts to Rs 22.80 lakhs, out of which the company has transferred a sum of Rs 20.35 lakhs to the general reserves. The dividend on ordinary shares, absorbing Rs 17.01 lakhs, will be paid out of the general reserve.

NEW INDIA INDUSTRIES

New India Industries Ltd has recorded a gross profit of Rs 86.33 lakhs for 1970. Sales during the year increased to Rs 4.29 crores from Rs 4 crores last year. The directors have proposed to maintain an equity dividend of 15 per cent for the year. After providing Rs 12.11 lakhs for depreciation, Rs 43.25 lakhs for taxation and Rs 1.24 lakhs for development rebate reserve, the company's net profit amounts to Rs 30.87 lakhs. The entire net profit has been transferred to the general reserve out of which the proposed dividends amounting to Rs 15.95 lakhs is to be paid. The company has plans to expand the capacity of its photographic paper unit from 1.8 million square metres to 2.2 million square metres a year. It also proposes to step up the production capacity of its camera unit. It has already entered into an agreement with Afga-Gevaert, AG, West Germany, its collaborators, for a foreign exchange loan of Rs 30.30 lakhs to raise a portion of the finance needed for expansion.

NATIONAL ORGANIC

National Organic Chemical Industries Limited has recorded an increase in its sales during 1970 at Rs 23.52 crores as against Rs 15.95 crores last year. After providing Rs 3.33 crores for depreciaton, the net profit comes to Rs 1.91 crores. After adjusting the net profit against the accumulated loss there is a net loss of Rs 2.81 crores which is being carried forward. No provision has been made for taxation. The company is entitled to development rebate reserve but in view of the carry-forward loss no provision has been made for it this year. The company has made substantial progress during the year. However manufacturing costs have gone up due to increases in the prices of naphtha and drums and a higher duty on fuel.

BOMBAY SUBURBAN ELECTRIC

Bombay Suburban Electric Supply Limited entered the capital market with an issue of 100,000 (8 per cent subject to tax) "E" class debentures of Rs 100 each at par for cash payable in full on application on April 2, 1971. The issue was proposed to be closed on April 26, 1971 or earlier at the discretion of the directors but not before April 7, 1971. The entire issue has been underwritten by Life Insurance Corporation (Rs 25 lakhs), Unit Trust of India (Rs 25 lakhs), Champaklal Devidas (Rs 15 lakhs), the Andhra Bank Limited (Rs 10 lakhs), the Vijaya Bank Limited (Rs 10 lakhs), the bank of Karad Ltd (Rs 10 lakhs), D.S. Purbhoodas and Company (Rs 5 lakhs). The company has an authorised capital of Rs five crores and issued subscribed and paid up capital of over Rs 3.71 crores.

The company is engaged in the distribution of electricity to consumers within its licensed area of supply which comprises portions of the island of Salsette in the South Taluka of Bombay suburban district and north Salesette taluka of Thana district. The Electricity distributed to consumers is purchased in bulk from the Tata Hydro Electric System. Bulk supply is received at several points within the licensed area, and distributed to consumers through a net-work of distribution mains and sub-stations. The company does not intend to acquire any new business out of the proceeds of the issue but will utilise the same for financing capital expenditure on development of power distribution facilities within the licensed area of supply of the company.

The directors of the company have decided to issue 51,446 equity shares of Rs 100 each (Rs 51.45 lakhs) as rights shares to the existing shareholders in the ratio one new share for every six shares held by them on March 31, 1971. The new shares will rank for dividend with the existing shares on the amounts paid up as from the date of allotment.

ATUL PRODUCTS

Atul Products Ltd. is awaiting the government's sanction for the manufacture of nylon filament yarns and also for the extension of intermediates plant. The company proposes to issue debentures worth Rs 2 crores in the current year. By way of dividends the company has received a sum of Rs 50.30 lakhs from its investments. The company's exports have gone up from Rs 16.44 lakhs to Rs 51.86 lakhs.

BOOKS BRIEFLY

The Neglected Continent

Surveys of African Economies—Volume 3: International Monetary Fund, Washington, D.C.; 1970; Pp 786; Price $ 5.00 (Special price to university libraries, faculty members and students $ 2.50).

Rural Credit in Western India (1875-1930): I. J. Catanach; Oxford University Press, Bombay; 1970; Pp. 269; Price 37.50.

Wealth Tax in India—Its Burden and Impact: M.H. Gopal; Economic and Scientific Research Foundation, New Delhi; 1970; Pp. 172; Price Rs 35.

Agricultural Development and Population Growth: R.N. Tiwari; Sultan Chand and Sons, Delhi; 1970; Pp. 226; Price Rs 25.

Economics of Development & Planning: Fernandes & Kambli; New Literature Publishing Company, Bombay; 1970; Pp. 228; Price Rs 9.25.

Macroeconomics: Dr K.R. Gupta; Atma Ram & Sons, New Delhi; 1970: Pp. 393; Price Rs 16.

Reviewed by ACADEMICUS

Africa is a vast and endless continent made up of a number of countries large and small. Economic exploration of Africa is going on for some time. The reviews of the two previous volumes have appeared some time back in these columns.

Surveys of African Economies—Volume 3: is an excellent and authoritative volume which surveys the economies of Dahomey, Ivory Coast, Mauritania, Niger, Senegal, Togo and Upper Volta. These countries are in the westernmost bulge of the continent of Africa and together constitute about 3.3 million square kilometres. While Upper Volta and Niger are landlocked, others border the Atlantic Ocean. In 1969, the total population of these seven west African countries was estimated at 23 million, ranging from about one million in Mauritania to about 5.3 million in Upper Volta.

All these countries (except Togo) were part of the French West African Federation before their independence in 1959-60. Togo was United Nations Trust Territory under French administraton. After independence these countries have maintained special economic and financial relations with France and have continued their association with the European Economic Community. What is more significant, economic co-operation among the seven states has developed considerably, especially on an institutional basis. Thus at the present all the seven countries are members of the West African Monetary Union, share a common central bank which issues a common currency (the CFA franc) and have joint participation in regional groups such as the West African Customs Union.

Of the seven countries, Ivory Coast and Senegal are economically the most advanced in the region and have the highest level of urbanisation. In Senegal 27 per cent of the population lives in towns of more than 10,000 and in Ivory Coast 19 per cent, compared to an average of about 10 per cent for the area as a whole.

Although the economies of the seven countries are linked by a number of common institutional arrangements, road to progress towards further economic integration is hampered by inadequate transportation throughout the area. The present network of railways and roads extends from the hinterland to the coast, the transport system originally being designed primarily to serve overseas trade. This means that the present system of land communications hardly allows interstate traffic and does not serve the purpose of increasing intra-union trade or even, because of the lack of secondary and feeder roads, to expand domestic trade within each country.

The economies of these seven countries which are mainly agricultural, are largely dependent on the production of one or two cash crops for export. The share of agriculture, forestry and fishing in gross domestic product ranges from 30 per cent in IvoryCoast to about 60 per cent in Niger. Manufacturing in the region is estimated to account for only six per cent of overall production. Major commodities produced for export are coffee and cocoa nainly in Ivory (Coast and Togo), palm products (Dahomey), bananas (Ivory Coast) and cotton and groundnut products (in almost all). Since 1960, there has been an upward trend in both production and exports of these commodities. Their relative share in total export, however, has declined as a result of a rise in the export of timber products from Ivory Coast and minerals from Senegal, Togo and Mauritania. The most important minerals produced in this area are iron ore, phosphates and manganese. Despite the rise in exports of agriculture and forestry products, they still account for the largest share of exports from these countries.

These countries have been making attempts to diversify and broaden the base of their economies within the framework of development plans. They have emphasised two goals in their development plans: (1) increased production of agricultural production for the domestic consumption and export, and (2) development of the secondary sectors (industry, mining, energy and construction). Planned investment in these and related areas have been substantial and largely concentrated in the public sector which is generally resposible for undertaking infrastructure projects and for the development of the traditional agricultural sector. Private sector investments have come to be devoted primarily to mining, manufacturing and processing industries.

Foreign Aid

For financing public sector industries these countries have so far relied primarily on foreign aid and the mobilisation of domestic savings through an improvement in the fiscal performance of central governments and in the operations of public enterprises and financial institutions. The impact of planning on economic activities of these seven countries has varied from country to country, as they embarked on planning at different levels of economic development. Ivory Coast has made the greatest progress, while Senegal has achieved little improvement in its economy. Development expenditure and increasing outlays for current operations have resulted in persistent budgetary deficits in these countries, the degree of financial strains varying from country to country.

Prospects for continued economic progress in these countries appear to be bright. The indications are that with the resolution of certain structural and financial problems, the future holds promise for them all. The natural resources together with an intensification of regional economic co-operation which has already begun will go a long way towards facilitating economic development of this western region of Africa.

This volume contains authoritative material of seven countries of western Africa collected by the IMF with the help of the Central Bank and

various national authorities. The information covers all aspects of the economies of these countries and is well classified and analysed. It gives a comprehensive picture to the readers of the great ferment through which this academically much neglected continent is passing through at present.

RURAL CREDIT

In a sense India was the first country in this part of the world to experiment with rural co-operatives. This book is a historial and documented study of efforts to institute a 'development programme' in the western part of India. before such attempts were made in other parts. Many of the approaches to co-operation now taken for granted were painfully worked out in India. *Rural Credit In Western India* (1875—1930) is concerned with the development of co-operative movement in Gujarat, Maharashtra and Bombay Karnatak which were diverse regions of the former Bombay Presidency.

The book opens with a fascinating and analytical account of the Deccan ryots which in a sense was the origin of the co-operative movement in western India. The author examines 'some false starts' between 1904 and 1911 in respect of the co-operative movement which in a sense was foisted on unwilling people by officials who lacked public co-operation. The author tells us interesting things about the registrars, many of whom had their whims and caprices, of the peak period that was reached between 1920 and 1923 and of the setback during the years of great depression and after. The co-operative movement went through all these troubles and turmoil so that when in 1946 Vaikunthlal Mehta became the finance minister in the Congress government of Bombay, it was found that many of the lessons of the first 30 years of the Bombay co-operative movement's history had been learnt reasonably well. The co-operative movement moved ahead, at any rate statistically. in the successor states of Gujarat and especially Maharashtra.

Reviewing the past the author has drawn a few tentative conclusions. He is of the opinion that the analysis of the Deccan economy presented by the Deccan Ryots Commission in the mid-1970s needs to be subjected to further close examination. The author is of the opinion that it is difficult to explain them (Deccan ryots) primarily in economic terms. No reliable statistics were gathered on the subject of land transfer from agriculturists to non-agriculturist money-lending group. Yet it was on such assumption of large-scale transfer of this nature taking place in Bombay Presidency and elsewhere that the co-operative movement was founded in India. As a fact according to the author "The Co-operative Act of 1904 was imposed upon the unwilling Government of Bombay by a 'Punjabi' dominated Government of India."

A full and critical survey of the economic effects of the co-operative movement in Bombay Presidency was never undertaken whole-heartedly. Even in the 20th century available statistical data must be treated cautiously. Thus, the Banking Enquiry Committee estimated that in 1930 about 10.7 per cent of the rural population of the Presidency came "within the fold of co-operative movement." But the report makes no attempt to estimate the extent to which the credit needs even of these 10 per cent were met by the co-operative movement. By 1930 the Government of Bombay was both more aware of the nature of rural ills than they had been before World War I and less able to cope with them. This only means that the co-operative movement then did not appear to provide any very decisive challenge in Bombay to the money-lender of either the 'professional' or the 'agriculturist' variety. And the same would appear to hold good for the rest of India. Even the Rural Credit Survey of 1951-52 found that only 3.2 per cent of India's cultivating families used co-operatives for any of their borrowings; only 3.1 per cent of the total borrowings of India's cultivating families came from co-operatives,while 58.6 per cent of the cultivating families had to borrow from some other sources, mostly from money-lenders.

Unequal Competition

One obvious reason for this state of affairs is that co-operative societies often simply could not compete with money-lenders. This means the co-operative societies did not provide an alternative to dealings with money-lenders, but provided only an addition to them. Before 1930, as at present, the beneficiaries of the movement in rural Maharashtra were the 'rich peasants'. Another feature of the co-operative movement during period under review was the perpetual controversy between officials and non-officials and within these two groups over the principles especially that concerning 'democratic' control. Co-operation was given to people not because they asked for it, but some of the guardians thought it would do them good! It must however be admitted that the non-official side was emphasised in Bombay Presidency to a greater extent than in any other province.

And yet with all this, by 1930 many of the foundations of the co-operative movement in western India were laid which led apparently to considerable development of the co-operative movement in subsequent decades. It must be noted that long before the Rural Credit Survey of early 1950s, it had been discovered in Bombay that credit will have to be integrated with marketing, loans will have to be linked to crops, that money-lenders must not be viewed in isolation, co-operative farming might be profitable and co-operation in India will have to be backed by state participation and will have to seek support from the 'middle peasantry', All these lessons appear of great relevance even today.

India with its rich past provides a very fertile field for economic historians and it is a sad fact that very little has been done in this field so far by Indian academicians. Historical studies will show us our roots and hold forth lessons for the future. The state of affairs in respect of economic history, both at all-India level and at the regional level is pathetic. I.J. Catanach has undertaken this pioneering work and has shown the way to others in the field of historical writing which can be as absorbing as writings on current problems.

WEALTH TAX

Wealth tax was introduced in India in 1957 and has recently been made almost penal in its scope.

Wealth Tax In India—Its Burden and Impact by Dr M.H. Gopal deals only with two facets of wealth tax in India, namely, its burden and its impact on capital formation. While going through the book the reader must take note of the fact that this study was completed before the new provisions of wealth tax were passed on to the statute book through the Finance Act of 1970 which has enhanced the rates of ordinary wealth tax on an individual's wealth from 0.5 to one per cent at the lowest slab of one lakh rupees to Rs 5 lakhs and from three to five per cent in the highest slab of over Rs 20 lakhs. This means that these new features only intensify the incidence of the tax as appraised by the author.

As regards the burden of wealth tax, some of the important findings of the author are as follows: (1) While there is a close relationship between the general economic conditions and the volume of wealth held, wealth tax changes, by and large, do not appear to have influenced this relationship. (2) While the first three groups (i.e. Rs 2 to 3 lakhs, Rs 3 to 5 lakhs and Rs 5 to 10 lakhs) are affected in varying degrees

by the tax changes, those holding Rs 20 to Rs 50 lakhs appear to lack the cushionability to face enconomic changes. The growth in the number of top categories (i.e. Rs 50 lakhs and above) was relatively slow. (3) The fluctuations in the assessed numbers and assessed wealth are noticeable in all the years, though in some they are very marked. Compared to the 'upper middle' group (i.e. Rs 5 lakhs to Rs 20 lakhs), fluctuations in wealth holdings of the rich category (Rs 20 lakhs to Rs 50 lakhs) are less frequent and of lesser magnitude. The top wealth group (i.e. Rs 50 lakhs and above) has the smallest aggregate volume of assessed wealth and the fluctuations in it are more marked. (4) The aggregate wealth tax charge has doubled during the course of the decade, although there was a fall in the number of assessees which means there is no correlation between the number of assessees and the total tax. (5) Partly because of variations in the volume of assessed wealth, but largely because of changing tax rates, more violent fluctuations are noticeable in the tax per assessee. (6) Three types of changes in the tax rate are noticed: in the exemption limit, in rate of the tax and the slab structure. (7) The tax changes have resulted in haphazard discrimination in the increase in the tax burden. There has been a muddling through with the wealth tax because of the absence of a planned tax policy.

Impact of Tax

As regards the impact of wealth tax on capital formation in India, the author's finding is that gross capital formation increased from an index of 100 (1950-51) to 182 in 1955-56 and 238 in 1956-57 and from 242 in 1958-59 to 458 in 1964-65. In other words, in both the periods, before and after the imposition of wealth tax, there was almost a similar rate of increase and volume was more in the latter. The years after the imposition of wealth tax were thus no different from the earlier years. When the net capital formation is considered, the trend is identical.

On author's own admission, there are many other influences on capital formation such as extension of banking facilities and such investment agencies as the Unit Trust facilitating freer flow of funds from consumption to saving and investment, apart from psychological factors working on the minds of the savers, and therefore it is difficult to assess the effect of only one tax such as wealth tax on capital formation. This part of the book therefore contains the most unsatisfactory analysis. The topic is much too complex to be dealt in the haphazard manner in which it has been dealt.

Dr Gopal has made some specific recommendations regarding wealth tax. He feels that the combined burden of the personal income tax and wealth tax should in near future not exceed in any case 80 per cent of the total assessable income, though immediately in the prevailing Indian condition the limit may be 90 per cent. He feels that the total abolition of wealth tax is economically the best way out. If however wealth tax must be retained because of non-economic reasons, the author is of the opinion that the exemption limit be raised to Rs 2 lakhs (as in early years of the tax), the maximum rate be reduced to two per cent on the top slab, and there be restructuring of the wealth slab (Rs 2 to 4 lakhs, Rs 4 to Rs 8 lakhs, Rs 8 to 15 lakhs and over Rs 15 lakhs with tax rates of ½, 1, 1½ and 2 per cent). The author has suggested the consequent changes in income tax as operative on top assessees. He has proposed that the top effective rate be reduced to 62 per cent, that the rate be applied to total income assessed and replace the slab system to old block system. Dr Gopal has rightly insisted that there should be thorough inquiry, on the 1966 Canadian model, into the Indian tax system, particularly into income tax and wealth tax.

When taxation of all kinds is being resorted to for varied reasons many of them not warranted either by the needs of planning or by canons of social justice, detailed studies of individual taxes have become absolutely necessary to know their incidence and effects on various aspects of the national economy. From that point of view, with all the inadequacies of the book, Dr Gopal's publication is extremely welcome.

REGIONAL PLANNING

One of the basic objectives of planned social and economic development in India has been balanced regional development. Uttar Pradesh has not only progressed as far as the other states in India, but even in UP pockets of prosperity co-exist with poverty and areas of high population density co-exist with areas of extremely sparse population, which shows that development and functional specialisation have not gone together.

The purpose of *Agricultural Development and Population Growth* is to make a thorough and detailed study of all the relevant factors, such as physical and climatic conditions, the nature of land, irrigation facilities and potential, the cropping pattern and agricultural practices as well as the reasons why they have come to be what they are, composition of population, the occupational pattern etc on the basis of which regional plans and programmes should be devised which if executed will bring about not only balanced regional development but also acceleration of the growth of the economy of the state of UP as a whole. The author's approach is that the unit of planning should not be the state but different regions in a state, if the objective of regional development is to be realised. There should be no quarrel with this approach.

With this end in view the author has presented a detailed picture regarding geographical conditions, agricultural land use and cropping pattern and demographic economic condition of the five regions, namely Himalayan region, western region, the central region, Bundelkhand region and the eastern region into which UP has been divided for regional planning.

A General Analysis

For regional planning detailed data regarding demographic features, industrial potential, land utilisation and cropping pattern, irrigation potential, output per acre, data on infrastructure and regional food budget etc. etc. will have to be collected and kept up-to-date on a continual basis. The author has not gone any further beyond stating this nor having presented regionwise data, has he presented any concerete proposals for regional planning. The whole analysis is in very general terms and it goes no further beyond emphasising the regional approach.

Agreed that macro and micro-planning should be combined in a national plan, the latter planning presents a number of problems which need careful tackling. What should be the unit of micro-planning? For example, no two villages are identical nor possess identical factor combination. But if micro-planning is based on such a small unit, all internal and external advantages as also advantages of specialisation will vanish. Also taking administrative unit such as a district as unit for micro-planning is in fact arbitary and the same economic logic applies to states some of which are drawn along purely linguistic lines while some others are mere historical accidents. This means that regional planning to be meaningful will have to be based on geographically homogenous units specially drawn for the purpose. This will require inter-state co-operation. The author has looked at regional planning in the given set-up and while it has its uses, it has also severe limitations.

What we get in Prof. Tiwari's book is a faint echo of what has been brilliant-

ly put forward by Guy Hunter in his *Modernizing Peasant Societies*, which was reviewed in these columns some time back.

ECONOMICS OF DEVELOPMENT

People in most of the backward countries have become development-conscious as never before. No other problem appears to absorb their energies to the same extent as economic development which in the minds of these people has come to be associated with man's strenuous struggle for survival in the 20th century. Most of these countries have also adopted economic planning as the method of reaching their goals of economic development. In *Economics of Development & Planning* the authors have made an attempt to present together some of the problems of economic development and problems of economic planning.

In the introductory chapter the authors have explained how economic development has attracted world-wide attention after World War II and the attention of innumerable social scientists. Many models and directions advocated to solve the problem of poverty have cut at the very roots of conservative thinking on the subject. After all economic doctrines reflect the conditions of the times in which they are formulated and change in thinking and doctrines becomes the essential ingredient of development and survival in economics as in other fields. And yet economists must know their limitations as the problem of poverty of these backward countries is not just an economic problem but is also basically a psychological, political and technical problem.

Having defined what is economic development, the authors have done well to warn us that if there are gains of economic development, there are also costs to be paid for. This is often forgotten by most with the result that when it comes to paying the costs of development, disillusionment is often the result. There is the usual analysis of the characteristics of backward countries, the causes of their economic backwardness and the general requirements of economic development such as psychological desire for development, political and cultural requirements, capital formation and above all enlightened leadership. The chapter on 'Demonstration Effect' is excellent and contains some new points. The authors have shown how Demonstration Effect (which has adverse effect on saving and therefore on investment) is likely to have limited effect in countries like India, due to factors such as extremely low per capita income, illiteracy, lack of communication and influence of traditions and customs. And yet some effective steps will have to be taken by taxation and other measures to see that not all additional income is spent on consumption.

Then there is analysis of the usual topics of alternative techniques of growth (balanced versus unbalanced growth), investment criteria, role of the government and population barrier.

The authors have dealt with the problems of planning in an equally clear and lucid way. Starting with the meaning, definition, objective and prerequisites of economic planning, they have given a brief history of planning in India. It is instructive to look at these academic attempts at planning in retrospect. Thus the Bombay Plan aimed at doubling the per capita income within a period of 15 years by investing Rs 10,000 crores at current prices. The general price level having gone up by five to six times since then, that would mean an investment of Rs 50,000 to 60,000 crores which was more ambitious than what actually has been done so far, including investment in the fourth Plan. The authors have analysed the objective, the techniques, the investment pattern and achievements of the three five-year Plans in India and have given the outline of the fourth Plan.

All told, the authors have succeeded beyond measure in putting together the essence of the economics of development and planning with great amount of clarity and in expressive language. There may be little that is new; but what is told is done effectively and for beginners it would be extremely useful.

The book should prove of immense help to undergraduate students of Indian universities and to the general readers. It will certainly stimulate the interest of students in the more advanced study of the problems of development and planning.

MACROECONOMICS

As Dr Gupta has mentioned in the preface, *Macroeconomics* is designed primarily to provide a comprehensive textbook for post-graduate students of Indian universities. In fact there is no dearth of material on macroeconomics at present; but the material is scattered in the number of costly foreign books which are generally beyond the reach of average student or in journals of highly technical nature which are beyond the comprehension of average students. The author's objective therefore is limited and that is to state the generally accepted principles of macroeconomics in a comprehensive, lucid and intelligible manner. It may be at once admitted that the author has eminently succeeded in achieving that limited objective.

The author starts by distinguishing between macroeconomics and microeconomics, terms which were coined for the first time in 1933 by Prof. Ragnar Frisch of Oslo University. While emphasising the importance of macroeconomics for understanding the functioning of an economy and proper formulation of economic policies, the author has also drawn attention to the limitations of purely macro-approach which tries to understand the functioning of an economy only in terms of some vital variables among the various tangible and intangible factors that influence it.

This is followed by analysis of the concepts such as national income and its various categories. The understanding of these concepts is basic to the understanding of macroeconomic analysis. The author then discusses the classical theory of employment based on competition and flexible wage rates, according to which there will always be stabilisation of the economy at the level of full employment.

From chapters 4 to 10 the author has analysed fairly exhaustively the Keyne-

sian theory with all its constituents such as the principle of effective demand, consumption function, investment, multiplier and accelerator and the rate of interest. In the light of experience in the application of the Keynesian theory, the author has done well to point out some of the limitations of the various concepts and their operation in India.

From chapter 11 onwards the author takes up the problem of unemployment in underdeveloped countries. Basic to the understanding of the subsequent analysis is the understanding of the nature of unemployment in these countries and the various underlying reasons for the continual state of underemployment equilibrium. This is followed by the analysis of various measures to be adopted for solving the problem, such as monetary and fiscal measures. The book ends with the presentation of certain growth models such as those of Harrod-Domar, Joan Robinson, Meade and Mahalanobis which are familiar to the advanced students of the subject.

Economic development of the backward countries which have been stagnating for thousands of years is such a complex process that one begins to realise the limitations of the Keynesian and post-Keynesian theories (not dealt with in the book) to successfully deal with this multi-dimensional problem. Psychology, culture, history, geography and religion have all such preponderating influence on the lives and socio-economic institutions of these countries that any attempt to tackle the economic problems of these countries in terms of some important economic variables such as saving, investment and rate of interest etc. appear doomed to failure. There is possibly better understanding of this at present than before and therefore less of abstract model-building in respect of these countries in recent years.

Dr Gupta has avoided all such higher criticism and has only confined himself to the analysis of existing concepts and theories and their usual criticism. This it must be admitted the author has done with clarity and understanding. The student will get good grounding in the existing theory which is necessary before he takes to higher studies in economics.

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Builders of Modern India: *Rajendra Prasad*: Kali Kinkar Datta; Publications Division, Ministry of Information and Broadcasting; Pp 355; Price Rs 5.

Pesticides (*Annual*): Edited and Published by R.V. Raghavan on behalf of Colour Publications Private Ltd, 126-A, Dhruwadi, Off Dr Nariman Road, Bombay 25 DD; Pp 130+VI; Price Rs 7.50.

Organizing Your Job in Management: Carl Heyel; D.B. Taraporevala Sons & Co. Pvt. Ltd, 210, Dr Dadabhai Naoroji Road, Bombay-1; Pp 208; Price Rs 5.25.

Leadership on the Job: Selected Readings from *Supervisory Management*: D.B. Taraporevala Sons & Co Pvt. Ltd; Pp 336; Price Rs 6.

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Small Industry Procedures Handbook: K.K. Mehan; Published by S.D. Sehgal, Productivity Services International, 48/4, Tardeo Air-Conditioned Market, Bombay-34; Pp 208; Price Rs 22 in India, $8 Abroad.

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RECORDS AND STATISTICS

Employment-Oriented Credit

THE RESERVE Bank of India has formulated a set of guidelines governing the special credit schemes of commercial banks with particular reference to employment potential. The guidelines have been prepared on the basis of the Thakkar Committee Report.

In a letter to commercial banks forwarding the guidelines (the letter is appended), the Reserve Bank has emphasised that, as the credit schemes to help particular classes of borrowers are basically meant to function only as guidelines for the banks' staff, it is important that they should be implemented at the branch level with an adequate degree of flexibility. This calls both for appropriate delegation of authority to branch agents and at the same time adequate control over the exercise of such discretion by branch agents. The bank has also emphasised that the availability of guarantee cover under the Credit Guarantee Corporation's scheme of comprehensive credit insurance, which has come into force on April 1, 1971, should not mean any dilution of standards on the part of banks in appraising loan proposals; nor should this mean that the assistance should be restricted to the classes of borrowers or to the extent of the amount for which guarantee facilities are available under the scheme. The assistance provided should be essentially need-based consistent with the economic viability of the proposition being financed.

The letter stresses the need for banks to consider provision of integrated financial and management assistance taking into account the totality of the requirements of borrowers. Banks may have to evolve an appropriate strategy for providing comprehensive credit service. It has been suggested that the simplified model application forms for use by prospective small borrowers should be made available in all local languages and that the branch officials should render assistance wherever necessary in having the application forms filled up.

The attention of banks has been drawn to the fact that, in the ultimate analysis, the source of funds for their credit operations, of which financing the additional requirements of the different categories of self-employed should be a part, is the deposits mobilised by them. It is only to the extent that their efforts towards deposit mobilisation succeed that banks would be able not only to meet the genuine requirements of the other sectors of the economy but also deploy a reasonable proportion of deposits to fiananee schemes intended for small enterprises and other self-employed.

Broad Guidelines

Commending the guidelines to the banks, the Reserve Bank has pointed out that these are but very broad guidelines and has expressed the hope that, with the more detailed guidelines given in the report of the Thakkar Committee, it should be possible for banks to increase their involvement in financing the professional and self-employed categories and help employment generation.

In this connection, a review of the progress made by the public sector banks (State Bank of India, its subsidiaries and the 14 nationalised banks) in extending credit to the small-scale industry and other neglected sectors of the economy will be useful.

The total credit extended by the public sector banks to small-scale industry, road transport operators, retail trade, small business, and professional and self-employed persons, which stood at Rs 278 crores towards the close of June 1969—that is, prior to nationalisation—increased to Rs 466 crores in June 1970 and Rs 505 crores at the end of October 1970. The total borrowal accounts rose from 104,973 in June 1969 to 288,374 in June 1970 and 324,102 in October 1970.

Advances to the small-scale sector (small-scale industries and road transport operators) rose from Rs 258 crores in June 1969 to Rs 425 crores in October 1970. The total borrowal accounts in this regard as on October 30, 1970 stood at 146,999, as against 76,514 at the end of June 1969. The bulk of the advances was in respect of small industries which accounted for a total credit of Rs 391 crores with 129,464 borrowal accounts in October 1970, as against Rs 251 crores with 73,987 borrowal accounts in June 1969. Advances to road transport operators went up from Rs 7 crores (2,527 accounts) in June 1969 to Rs 34 crores (17,535 accounts) in October 1970.

There has also been a notable rise in advances to retail trade, small business and professional and self-employed persons as can be seen from the table below.

Text of the Letter

In pursuance to a suggestion made by the union Finance Minister, Mr Y.B. Chavan, at a meeting of the chairmen/custodians of the public sector banks in July 1970, a committee was constituted by the Reserve Bank of India under the chairmanship of Mr V.D. Thakkar, to review the working of special credit schemes of commercial banks with particular reference to their employment potential. In the committee's view, there is considerable scope for rationalisation of the special credit schemes of banks in order to

	Borrowal accounts. No.			Amount outstanding (Rs crores)		
	October 1970	June 1970	June 1969	October 1970	June 1970	June 1969
Small-scale industries	129,464	121,057	73,987	391	370	251
Road transport operators	17,535	12,690	2,527	34	25	7
Retail trade & small business	139,817	125,748	28,037	72	65	19
Professional and self-employed	37,286	28,879	422	8	7	0.33
Total:	324,102	288,374	104,973	505	466	278

Note: Figures have been rounded off to the nearest final digits.


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make them more effective and purposeful. We indicate below a set of board guideline for your consideration.

We have earlier circulated to you the details of the new credit guarantee scheme. At the outset, we would like to emphasise that the availability of guarantee cover under the new scheme of comprehensive credit guarantee which comes into force on April 1, 1971, should not mean any dilution of standards on the part of banks in appraising loan proposals. Nor should this mean that assistance should be restricted to the classes of borrowers or to the extent of the amounts for which guarantee facilities are available under the scheme. The assistance that is provided should be essentially need-based, consistent with the economic viability of the proposition being financed.

Deposit Mobilisation

Banks have been dispensing credit to different categories of self-employed on an increasing scale in recent months and a stage has been reached when the portfolio of financial assistance to this sector requires to be handled on a continuing and organised basis. Banks should keep in mind the fact that, in the ultimate analysis, the source of funds for their credit operations of which financing the additional requirements of the different categories of self-employed should be a part, is the deposits mobilised by them. It is only to the extent that their efforts towards deposit mobilisation succeed that banks would be able, not only to meet the genuine requirements of the other sectors of the economy, but also divert a reasonable proportion of deposits to finance schemes intended for small enterprises and other self-employed.

Credit schemes to help particular classes of borrowers are basically meant to function only as guidelines for the banks' staff and it is, therefore, important that they should be implemented at the branch level with adequate degree of flexibility as the key-note. This calls for appropriate delegation of authority to branch agents simultaneously with adequate control over tthe exercise of such discretion by the branch agents.

We would like to draw your attention in particular to the simplified model application forms suggested by the committee for use by prospective small borrowers. In addition, a model application form for financial assitance to road transport operators, taxi-drivers etc. has been circulated. Information collected in these forms would also meet the requirements of data for purposes of guarantee cover. These forms should be made available in all local languages and branch officials should render assistance, wherever necessary, in filling up the forms.

Since the branch agents have a key role to play, a rapid training programme will have to be organised urgently to provide the necessary orientation to the branch officials. The branch official, who has so far been accustomed to granting advances mainly on the basis of the tangible security the borrower can provide, has now to be speedily trained to assess credit proposals taking into account considerations, such as, viability of the project, the applicants' skill, experience, integrity and the ability to organise an activity or a business. Periodical discussions should be arranged at the regional/district level to enable the officials to exchange relevant information about the implementation of the various credit schemes formulated for assisting the employed. The training institutions attached to banks will have to place special emphasis on the various aspects of financing this category of borrowers, particularly in regard to the need for extending personalised service to such constituents.

Vast Requirements

Since the requirements of the self-employed are so vast and complex, it should be the endeavour of banks constantly to watch for new areas of sanction and formulate schemes tailored to meet the needs of the situation. For the purpose of framing effective schemes, it may be helpful for banks to draw upon the information available in the Lead Bank Survey reports. In fact, each bank should, while organising such surveys, particularly in the comparatively backward districts, lay special emphasis upon identifying areas for action. In this conncection, it may be noted that the Industrial Development Bank of India, which has recently conducted techno-economic surveys of some of the backward regions in the eastern areas, can make available to banks copies of these survey reports for their guidance.

Mere introduction of credit schemes by banks is a necessary but not a sufficient condition for creating the total environment favourable for generating employment. The facilities offered by banks under the schemes may not add up to much if they are not accompanied by arrangements to enable the borrowers to obtain technical guidance, assistance in regard to securing land and shed, machinery, raw materials and advice on financial, accounting and taxation, labour management, marketing and other aspects of business. Banks will, therefore, have to consider as to how best integrated financial and management assistance could be arranged or organised, taking into account the totality of the requirements of the borrowers. Such provision of comprehensive credit services would depend on local conditions and would, therefore, differ from area to area. Banks may have to evolve an appropriate strategy for this purpose and can function effectively in this regard if they act jointly rather than individually. The report of the committee has suggested the setting up of multi-service agency for this purpose. Setting up of an institution of this type is one way of achieving the purpose and such agencies will be particularly helpful for relatively under-developed areas.

Need-Based Assistance

The credit schemes should be administered in such a manner that the assistance provided is need-based. The financial assistance provided should be able to take care of the total requirements of the borrower and should include provision of assistance for meeting the legitimate expenses of renovation of plant and machinery, acquisition of essential spares and periodical repairs of a major nature, as in the case of transport operators. Assistance should, where justified, provide for acquiring testing equipment and for expenses in regard to other measures of product development such as advertising, contribution towards research activity, marketing surveys, etc. While entertaining proposals of small entrepreneurs, due weightage should be given to promoter's technical qualifications and such other contribution to the business of a non-financial nature. In deserving cases, it should be possible for the banks to charge on a term loan a lower rate of interest in the initial stages, the rate being raised subsequently, thereby maintaining a commercially viable average rate of interest on the loan for the entire period. However, care should be taken to ensure that the preferential terms of assistance given in the initial stages are not indefinitely continued and normal commercial basis of lending should be established at the earliest.

Preferential consideration may have to be shown in the case of persons commencing business/practice as well as in respect of those who leave well-established jobs to take up self-employment. In such cases, there should be provision for reasonable personal drawings during the initial stages, commensurate with the minimum requirements of the borrower for family maintenance. In deserving cases, such drawings may be

considered on a clean basis and at comparatively lower rates of interest. The drawings can be added to the original term loan after the stipulated initial period and subjected to the same terms and conditions as applicable to the term loan.

As far as possible, no self-employed/small enterprise applicant should be denied credit merely for want of a third party guarantee, when the quality of the application is otherwise satisfactory.

With a view to minimising the time taken for ascertaining the technical and other feasibilities of the proposals received for financial assistance, banks, particularly the bigger ones, should seek to appoint on their staff, at appropriate centres, such technical and other experts as may be needed for appraisal. It is also open to banks to avail of assistance of agencies providing technical and other consultancy services, as also of the expert staff attached to the financial institutions, such as the Industrial Development Bank of India, state financial corporations, Small Industries Service Institute, etc.

As indicated earlier, there is urgent need for banks to pay greater attention than hitherto to the needs of comparatively backward areas and of smaller borrowers belonging to the weaker sections of society. While lending, special consideration should be shown to such borrowers in respect of security requirements, margins, rates of interest, repayment schedule, etc. Banks should devote particular attention to setting up technical services and providing counselling arrangements either on their own or through other agencies providing such assistance with a view to encouraging new entrepreneurs in back ward areas.

Follow-Up Arrangement

Adequate follow-up and supervisory arrangements should be organised to keep track of the end-use of funds lent to the small entrepreneurs and other self-employed categories of borrowers, and for effecting recovery of the advances according to schedule. This will help achieve a measure of rotation of funds so that the scarce resources can be made to reach as large a number of people as possible. The borrower should be encouraged to maintain some basic minimum of accounts and should be persuaded to accept financial supervision and discipline. In particular, the borrower units should be encouraged to build up equity by ploughing back a portion of the surplus generated in the business.

Instances have been noticed of financiers making entry into the group of self-employed small entrepreneurs by offering financial help to such entrepreneurs and becoming partners in their enterprise. So long as this participation represents genuine promotional effort on the part of financiers, they are welcome. Where such participation merely represents efforts to buy up such enterprise purely for the benefit of the financiers, then they run counter to the social objective of bringing about a wider diffusion of economic power. From this point of view, it may be desirable for the commercial banks to keep in touch with changes or modifications in the proprietorship/constitution of the small enterprise assisted by them.

The committee has given a list of categories of self-employed and has drawn attention to the fact that this list is by no means exhaustive but only illustrative. Banks should on their own initiative formulate special credit schemes for promoting the generation of employment, according to their innovative capacity and exercise a measure of healthy competition with other banks in this regard.

These are but very broad indications and we hope that with the more detailed guidelines given in the report of the committee, it should be possible for banks to increase their involvement in financing the professional and self-employed categories and help employment generation.

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RUPEES 1.50 APRIL 16, 1971 VOL. 56

Kiss and Make Up

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19/4

Bankers' Woes

Trade Barriers in Pharmaceuticals

West Bengal—Coalition or Collision?

Don't expect any miracle. True socialists can't believe in miracles anyway.

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KISS AND MAKE UP

It is perhaps natural that the eclipse of the political parties which had opposed Mrs Gandhi and her party at the last general election to the Lok Sabha should, because of its near-totality, have demoralised routed politicians even to the extent of some of them contemplating retirement from active politics—although it is not easy to sympathise with the defeatists among them who have gone to the extent of attempting still more decisive forms of self-effacement. There does not seem to be sufficient justification, however, for the business community reacting in a similarly self-deprecatory manner to the verdict at the polls. It is true that some industrialists had contested the election either as Independents or as candidates of opposition parties and it is true again that many of them were unsuccessful. But, as a class, these businessmen, who had fought and lost the election, have been game losers and have returned to their regular avocation with a shrug of the shoulders. We wish that one of the leading collective representatives of businessmen in this country, *viz*, the Federation of Indian Chambers of Commerce and Industry (FICCI), had kept its judgment, poise and balance in a similar manner.

As it is, the proceedings of the latest annual session of the FICCI, held in New Delhi a few days ago, showed every sign of being overwhelmed by the shadow of the ruling party's massive victory at the polls. It is apparent that its spokesmen have decided to adopt an attitude of "kiss and make up" with the government of the day. While this journal is not particularly fond of confrontations beween government and industry and would readily concede that, in a democratic country, a government returned to power through the free and clear expression of the will or wishes of the majority of the people is entitled to expect and receive co-operation from the citizens and their voluntary associations in the task of serving the national interest, it would also like to point out that the quality of our democracy is bound to suffer seriously and permanently if individuals or associations do not choose to maintain their independence of thought or action when basic issues are concerned.

While the dominant position secured in the Lok Sabha by Mrs Gandhi and her party has certainly reshuffled dramatically the points of power or pressure in the inter-relationships of political parties, it surely has not altered the fundamental fact that the economic policies of the ruling party have not been as sensible or efficient as they could have been in promoting the growth of our economy. The mere fact that Mrs Gandhi and her men have been dramatically successful at the polls has not invalidated by any means the critical attitudes adopted by many of us towards important aspects of the government's management of the economy.

For instance, the government's administration of the banking system or management of bank credit since the nationalisation of the leading commercial banks has certainly been poor and unhelpful to the growth of production or the stability of the price level. There is a harmful trend towards finance becoming increasingly dear and scarce for politically unfashionable segments of industry, however desirable the proper functioning of these institutions may be from the point of view of economic expansion. At the same time, there has been a tendency for bank money to be wasted or less productively used, thereby stimulating inflationary pressures. The government's fiscal attitudes again continue to be out of tune with the clear requirements of a national policy for saving and investment. Its approach to foreign capital tends to be hypercritical and restrictive to an extent not justified by the economy's plain need for supplementing domestic savings.

The doctrine of an expanding public sector holds sway, dismissing all hopes of a rational utilisation of the country's human and material resources. At the same time, extraneous considerations of no particular value are being permitted by the government to come in the way of individual or corporate entrepreneurs contributing effectively to the advance of large-scale industries. To make matters worse there are no signs of administrative bottlenecks opening up, the government's promises or protestations notwithstanding. Finally, there is extensive prevalence of corruption in government offices and there is also the often decisive role which political graft seems to play in ministers' relations with individual businessmen or even associations of trade or industry.

This being the case, organisations such as the FICCI will surely cease to be

true to themselves or their purpose if they were to let themselves be guided by the visceral needs of conformity with the powers that be. The fact that the ruling party has only negligible opposition to face in the legislature has made it all the more necessary that, for the sake of our democratic health, such of us as are in a position to remain in the great public debates that must for ever go on in free societies do not surrender our right to or responsibility for critical responses to the policies and actions of the government of the day. No single election, however decisive in its verdict, can or does settle for all times issues on which different people are bound to have different views. It follows that, so far as we ourselves continue to have faith in the higher worth of liberal economic and political communities as against those in which the state or the government claims and receives increasing authority over the lives and affairs of the citizens, we should not hesitate or equivocate but affirm readily and if necessary loudly the philosophy of that faith and spell out its details in their application to the policies and actions of the government of the day. Even in the narrower terms of the election and its verdict, it would be right on our part to insist ceaselessly on the truth that the mandate for the fight against poverty and unemployment, which the electorate has given to the ruling party, can be truly fulfilled only if the government of the day is prepared to reconsider many of the policies it has been following so far or give up many of its political attitudes in favour of those which would enable this country to make good the lost economic opportunities of the past decades and progress more steadily and rapidly in the seventies.

Bankers' Woes

AFTER THE first flush of enthusiasm in the wake of the nationalisation of 14 commercial banks, during which period managers of these banks feverishly vied with one another to show as large a credit expansion as possible, in particular to the priority sectors, with a view no doubt to creating a favourable image of their respective charge in the concerned quarters, it is just as well that realities are slowly coming home to roost. This is evident from the pleas for a more comprehensive credit planning than hitherto both by the Chairman of the State Bank of India, Mr R. K. Talwar, and others (*vide* Mr S.L.N. Simha's articles which appeared a few days ago in the *Hindu* on "Some Aspects of the Credit Squeeze"). It has not taken long for persons such as these who are prepared to perceive that, with the severe limits imposed by the prevailing economic conditions in the country on the rate of growth of savings and mobilisation of deposits, there is urgent need not only to assess the optimum expansion in bank credit but also to ensure that such credit is properly apportioned among the various sectors of the economy so as to accord with Plan priorities.

This, of course, means a further intensification, albeit purposefully, of credit control, but past experience has clearly established the need for greater financial discipline, especially on the part of the government, than heretofore, and, at least in a planned economy, such cannot be ensured without comprehensive credit planning. It also presupposes a substantial strengthening of their research planning and statistical sections by banks and not just the adding of more and more personnel, all and sundry, as seems to have taken place so far. But this is more easily said than done for the simple reason that, in spite of so many bankers' training institutions being there, the requisite numbers of the right type of recruits are not forthcoming. So, along with credit planning, it would appear, prompt and adequate attention must also be given to training the proper personnel to meet the demand for such personnel in full.

At the same time, a proper assessment would also seem to be needed of such financing of the priority sectors as has taken place already. At least one of these sectors, *viz.* agriculture, is stated to have begun to pose problems. According to Mr Talwar, these are very hard problems indeed. He has estimated the credit needs of this sector in the next three or four years to be as high as Rs 4,000 crores and, having regard to the resources available, he feels, "the role of the commercial banks in this field can only be supplementary, at any rate in the immediate future; the responsibility must continue to rest mainly with the co-operatives". Meanwhile, he has felt and rightly urged the need "to ensure that the credit that has already been extended, or is being extended, is put to the most effective use".

This is no new problem, but the pity is that as yet it has not received the same degree of emphasis as the provision of increased credit, even as in the case of utilisation of foreign aid. Politicians, with their sights apparently fixed on how to please their followers, have not cared to pause and give some serious thought to the imperative of proper and effective utilisation of credit or aid. This is not to say that no one has thought of a suitable machinery not only for properly evaluating the proposals for credit at the initial stage but also to effectively supervise the utilisation of such credit at different stages. Committee after committee, and commission after commission have stressed the necessity for it, but what has actually been evolved to date has proved hardly equal to the task. A machinery such as this has to be greatly strengthened quantitatively as well as qualitatively. Mr Talwar's suggestion in this context is, therefore, both useful and practicable. If, as he said, it will be difficult to create such a machinery at every office of the State Bank of India, it will be even more diffcult to do so at every office of the 14-nationalised banks. Hence the relevance of his bank's (SBI's) strategy "to move away from scattered lending and shift the emphasis towards intensification of the area approach." While it is indisputable that "only through a concentrated effort in selected areas could the scarce resources of the banking system be put to the optimum use", one wonders whether this was not the aim of the lead bank scheme also and, if so, one would further like to know why the latter has not yielded the anticipated results. Another question that arises is whether, in the event of banks selecting their own areas and concentrating on their development (in which case, they will naturally select the most promising areas) the goal of balanced regional development will not be affected adversely. The raising of these questions, let us hasten to add, is not to question the wisdom of the SBI's proposed strategy.

Mr Talwar must be complimented for raising certain very pertinent points in the course of his speech at the last annual general meeting of the State Bank of India. The most important of these is the repercussions of the recent curtailment of refinance facilities by the Reserve Bank (in its fight against inflation) on the extent of credit available to the private sector. As the SBI chief observed, liberal finance was being made available by the Reserve Bank to the nationalised banks with the specific purpose of ensuring that the new shift in the lending policy would not come in the way of financing the legitimate production needs of the medium and large-scale industries. When such liberal finance ceases, as it must in the context of the curtailment of refinance facilities as stated above, the banks will naturally find it difficult to meet the demand for credit from both the priority sectors and the others out of their own resources, at any rate immediately, which means, to quote Mr Talwar, "the squeeze

must be felt somewhere and this is where the banks find themselves in a fix."

Although Mr Talwar did not say it in so many words, he would appear to be worried about the continuing gap between the cost of providing funds to the priority sectors, in particular agriculture, and the income from such advances. Fortunately, up till now, neither the recovery position nor the bad debt experience has been unsatisfactory. In regard to agricultural credit, according to the SBI chairman, recoveries have been well over 80 per cent and bad debts needing to be written off just around one per cent. But with money becoming dearer, there seems to be a lurking fear that concessional credit to priority sectors might sooner or later lead to a shrinkage in profits. This apprehension is undertandable, because Mr Talwar 's twin concern is to see that justice is meted out to the depositor and also to make sure that the central exchequer receives its budgeted share of contributions from public sector undertakings. (These seldom touch the targets fixed and, in more cases than one, are not even realised!)

Talking of justice to depositors, Mr Talwar, it must be noted, has staunchly championed their cause. It is his considered thesis that, for an accelerated growth in deposits, there should be a substantial increase in the rates of interest on deposits, although he is doubtful of deposits in our country being interest-elastic. Alluding to the recent increase in the bank rate from five to six per cent, he said: "The effect of an increase in the bank rate is a rise in the interest rate structure both for deposits and advances. In our country, however, the effect has become lop-sided, in that while there has been an all-round increase in the lending rates, the deposit rates have not correspondingly moved up. Whatever may be the objective of increasing the lending rates, the proportionate benefit ought to be passed on to the bank depositor, who should get what is legitimately his due."

Mr Talwar's concern for the depositor is quite genuine. For he also took cudgels on behalf of the individual depositor as against financial institutions. Characterising this as "an invidious distinction", he said: "It is, indeed, ironical that the individual depositors should be clearly at a disadvantage vis-a-vis such institutions. In the case of a bank depositor, the shorter the period of deposit, the lower his return by way of interest. A financial institution like the Life Insurance Corporation of India or the Unit Trust of India, on the other hand, may operate in the inter-bank call money market and command a high return — as disproportionately high as 11 to 12 per cent — on its day-to-day lendings." There is validity in this charge, because the *raison d' etre* for the entry of these institutional investors into the inter-bank call money market was that such would improve the liquidity of the banking system, which has not happened. Moreover, the funds offered by them in the call money market are mostly those that would in any case lie with the banking system to earn interest at the same rates as are applicable to the individual depositor. This apart, presumably, as a banker, Mr Talwar looks askance at this unwarranted intrusion by these two institutional investors, as it has resulted in a diversion of funds from low-yielding fixed and short-term deposits to high-yielding call deposits with a consquent rise in the cost to the banking system. Hence his pointed plea that "not only on considerations of fairness but also of wider issues of investment, individuals and institutions should be put on equal footing in the matter of return on surplus funds". This is bound to raise a hornets' nest around Mr Talwar's ears even as another suggestion bearing on interest rate put foward by a former SBI chairman, the late Mr V.T. Dehejia, occasioned considerable controversy some years ago. One plausible justification for this special indulgence to institutional investors could be that it is perhaps better to let institutional investors earn more than individuals, in that what the former earn could be more conveniently channelled along desired lines than what the individual earns. Anyway, the reactions to the SBI chairman's bold stand on this issue are bound to be interesting and worth watching.

West Bengal—Coalition or Collision?

In his address to Parliament on March 23, Mr Giri said that the mid-term poll in West Bengal clearly indicated a reaffirmation by the people of their faith in democracy. But cannot Mr Jyoti Basu, the Marxist leader, also claim that by electing the CPM as the largest single party in the assembly, the people of West Bengal have expressed their confidence in the type of democracy championed by him? The number of votes cast in favour of the CPM was 44.85,805 compared to 2,293,026 in 1967 and 2,676,981 in 1969. The Conggress (R) got 35,98,695 votes and the Congress (O) 9,15,147 votes. In 1967 and 1969 the undivided Congress had obtained 5,207,930 votes and 5,538,622 votes, respectively. The CPM won 111 seats this year compared to 80 in 1969 and 43 in 1967, the strength of the assembly being 280. (The elections to three seats could not be held because of the murder of some candidates). West Bengal has also elected 20 Marxists to the Lok Sabha while they have suffered a rout in most other states.

Do these figures justify the President's assertion that the people of West Bengal have clearly affirmed their faith in democracy as it is usually understood? The CPM had said in its election manifesto that "the vile misdeeds of the Indira Gandhi government has converted the whole of West Bengal into a prison of democracy, a graveyard of democratic liberties of the people." The verdict of the poll seems to show that a substantial number of people in West Bengal do subscribe to Mr Basu's brand of democracy.

Mr Giri assured Parliament of the Government of India's "unqualified determination to root out lawlessness and to eliminate the politics of murder and assault". This assurance is, indeed,

Eastern Economist 25 Years Ago

APRIL 19, 1946

What would be the rate of exchange suitable for the post-war rupee and how would our accumulation of sterling credits enter into a determination of that rate? It is not as if this question is being discussed just now for the first time. It will be recalled that as long ago as October 1944, the Governor of the Reserve Bank said that the objective of appropriate rate of exchange should be the establishment of an import surplus from the United Kingdom, representing the repayment of the sterling balance. This pointed to an appreciation of the rupee rate, a course of action which a balance of all the other relevant and vital considerations involved in the matter indicated as altogether unwarranted. For our part, we emphasized that if there was one conclusion about which one could be quite sure, it was that an appreciaton of the rupee ratio was wholly uncalled for. With the estabishment of the I.M.F., which will start funtioning shortly, the selection of the initial par valve is becoming an immediate issue. This together with the persistence of fallacious reasoning of the kind referred to above, affords abundant justification for re-stating what exactly are the considerations which enter into the determination of the exchange rate and what the right course would be to follow

welcome, but can Mr Ajoy Mukherjee's ministry effectively do this job? It is worth recalling that Mr Mukherjee had until recently identified himself with the CPM. In the mid-term election of 1969, he appealed to the voters of Baranagar to vote *for* Mr Jyoti Basu. Later, however, the Bangla Congress leader became a staunch opponent of Mr Basu not so much because of the latter's extremism, but mainly because the Marxist leader had defied and humiliated him when he was the Chief Minister. It is, therefore, hardly surprising that the voters of Baranagar, and of the other constituencies in general, were not much impressed by Mr Mukherjee's arguments against the Marxists.

However, as the head of the coalition government, Mr Mukherjee is now in a better position to prove his political wisdom and administrative efficiency. Though there is none in the cabinet who is likely to embarrass him as Mr Basu did in the last UF government, Mr Mukherjee has to proceed with considerable caution in dealing with his colleagues some of whom belong to parties which have no record of constructive work, no sizable following in the state, and no firm faith in democracy. The coalition has only a slender majority and the Marxists are likely to make all possible attempts to divide and ultimately wreck it. Even in eliminating what Mr Giri has described as the politics of murder and assault, Mr Mukherjee has to act tactfully though firmly lest he should give opportunity to the Marxists to exploit the situation to their advantage.

The fact that the Chief Minister can look up to the prompt support from the centre is, of course, a great advantage. But, so far as law and order is concerned, the basic question is who exactly is behind the murders and assaults that have been taking place in West Bengal in recent years. Are these crimes being committed because of socio-economic causes or are they inspired and instigated by certain political parties with or without foreign assistance? The Jana Sangh, in its election manifesto, had observed: "The Prime Minister has lent respectability to the anti-national activities of Naxalites by attributing them to socio-economic reasons. It must be well realised that those who are creating these Naxalite disturbances are the agents of Red China exerting themselves to bring India under Peking's sway". So, to what extent the government will succeed in restoring peace in West Bengal will depend mainly on how Mrs Gandhi, Mr Mukherjee and his cabinet colleagues view the Naxalite menace.

While, on the one hand, violence has to be put down firmly, on the other hand, the government has to deal with the economic problems of West Bengal with the utmost speed and energy. The price situation in West Bengal has been causing concern because of the shortfall in rice production and the fall in procurement. The total procurement has been only about 220,000 tonnes against the target of 450,000 tonnes. It is feared that the procurement this year is unlikely to exceed 250,000 tonnes. The central government, therefore, should promptly supply West Bengal with the required quantities of rice and also provide adequate fertilisers and other inputs to step up rice production.

Mr Giri referred, in his address to Parliament, to the other measures being taken to develop West Bengal, such as the improvement of Calcutta and the launching of the Industrial Reconstruction Corporation. He added that other development works were being undertaken in West Bengal, but did not give details. In view of the chronic unemployment, these measures have to be implemented with speed. Energetic efforts have to be made to reopen the closed units, to make sick units viable, to tone up the efficiency of government undertakings, and to set up numerous new industries, large and small, both in the public and the private sectors. The chambers of commerce in Calcutta have urged the centre to set up a free trade zone, a petrochemical complex and a shipyard — all in Haldia which is ideally suited for these projects. The state government should fully utilise the services, talents and resources of the private sector which under the UF government had received a raw deal. Such a policy can succeed only if New Delhi effectively maintains the rule of law and agrees to relax the curbs on the growth of large business organisations who invest in West Bengal.

The main problems of Mr Mukherjee's government relate not merely to the restoration of law and order and the revival of industrial development but also the improvement of education. The extent of damage done to the educational progress in West Bengal has been considerable and it will take several years and great efforts to bring order and discipline in this vital field. But a beginning should be made immediately so that the young men are weaned from the extreme path and helped to grow as useful citizens.

The trade unions should also abandon their tactics of terror and black-

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mail and adopt a constructive attitude. They should urge on their workers to maximise production and get their grievances redressed only through the legal methods. But since the trade unions are dominated mostly by the CPM, will they fully co-operate with the government? The employees of the Government of West Bengal also are, to a large extent, pro-Marxist and it is alleged that the latter have infiltrated into the police department as well. These developments are hardly surprising because is it not part of the Marxist strategy to subvert the Constitution from within? While Mr Mukherjee's ministry may get the wholehearted co-operation of the senior officers, it remains to be seen to what extent the government employees at the lower levels will conduct themselves with dedication and discipline as they are always expected to do, irrespective of the political complexion of the party or parties in power.

The experience of coalition government in West Bengal has been unhappy. The previous two coalitions collided and collapsed. Only if the present coalition survives and succeeds in remaining in power for a five-year term, can we say with some confidence that West Bengal is safe for democracy.

Kerala Finances

THE STATE budgets presented so far for 1971-72 disclose large overall deficits; only in a few cases there has been a surplus on revenue account. As the central Budget for 1971-72 will be presented with its tax proposals to Parliament only in May, there has been no disposition on the part of state finance ministers to raise large amounts by way of additional taxation, except in the case of Kerala. It is probably expected that apart from a buoyancy in revenues on the basis of existing taxation, there will be fresh imposts in the central budget which would result in a transfer of much larger amounts as the states' share of central tax revenues. There will, undoubtedly, be some additional strength to the state budgets from the centre's proposals. But it has to be decided how the special problems confronting the states like Kerala have to be tackled. The Chief Minister of this state, Mr C. Achutha Menon, has rightly complained that the effort made by him and his predecessors to raise tax revenues have not been duly recognised and in spite of the fact that the citizen of Kerala is amongst the highest taxed in the country, there is compulsion to raise more revenues for implementing Plan schemes.

The peculiar position of this problem state will be understood if it is pointed out that salaries alone account for 95 per cent of the state's own revenues and non-tax receipts and 59 per cent of all revenues, including the transfers from the centre. This would mean that developmental expenditure can be incurred only with the receipts from the centre as share of tax revenues, assistance and grants and that a good part of the Plan outlay has to bear heavy interest charges. Even in regard to non-Plan expenditure, the gap has not been fully covered, following the implementation of the recommendations of the Tyagi Commission, though the representations of the state government have been heeded and the overdrafts taken from the Reserve Bank have been repaid with special assistance from the centre. The fact, however, remains that only the liability has been transferred from the Reserve Bank to the centre and there is an increase in the interest burden apart from the complicating effect of large debt repayments.

In the discussions with the Planning Commission it was agreed that additional resources for Rs 50 crores should be raised in 1969-74. The tax effort has been quite commendable. But it is pointed out that even if fresh proposals were made for meeting the commitments, the increase in the salary bill as a result of the recent revisions in emoluments of government employees will account for Rs 17 crores in a three-year period against Rs 18 crores that will have to be mobilised additionally for fulfilling the target in respect of fresh taxation. As in the latest budget there will be a revenue deficit of Rs 16.26 crores even with an increase in receipts by Rs 15 crores, it has been proposed to levy additional taxation for Rs 3 crores. It has been necessary to resort to some measures which may not be considered quite popular as the tax burden is already high. While many states abolished the land tax for enlisting the support of small farmers, the exemption limit has been removed in Kerala for agricultural land. In respect of plantation holdings it has been lowered to one hectare from two hectares. There is also the novelty of a graduated sales-tax in regard to the turnover of hotels and restaurants. The urge to tax urban land holdings also could not be resisted and some important urban areas have been selected for differential specific levies per square metre. There will be anomalies in the administration of these levies. But the justification is on the score that the owner of urban land has to hand over to the government some portion of the appreciation in the value of his holdings for which he has made no special contribution. It is also proposed to raise bus fares in order to improve the finances of the State Transport Corporation.

This is the biggest effort made by any state so far, as stated earlier. Mr Achutha Menon had to adopt this course as fresh loans from the centre will not solve any problem and add only to the state's liabilities. He is more particular about a settlement on an acceptable basis of the assistance that will be forthcoming from the centre for meeting the increases in the salary bill arising out of rising prices and the actions of the central government in increasing the emoluments of its own employees. It is unlikely that there will be preparedness on the part of the central government to accept the suggestions of Kerala's Chief Minister as a decision has to be taken in principle and this may involve a fresh examination of centre-state relations. It remains to be seen whether any novel approach will be adopted by the union Finance Minister while framing the budget proposals for 1971-72 and whether he will be agreeable to increase grants to sick states.

The overall budgetary position of Kerala will not be quite comfortable at the end of 1971-72 as there will be a minus cash balance of Rs 21.85 crores, after taking credit for the revenue from new tax proposals. The outlay on Plan schemes will be higher at Rs 60.60 crores, against Rs 50.03 crores for 1970-71. There will be larger expenditure on programmes for agricultural development and power and irrigation projects. The state has to expedite the work on Idikki and other power schemes, while it is apprehended that many irrigation projects will have to be spilt over to the next Plan due to paucity of resources. The competing claims on non-Plan and Plan accounts have created an uncomfortable situation for many states as in the changed circumstances employees will not be content with their present lot and will be continuously asking for more. At the same time there will have to be additional investment for generating fresh employment in a big way. It will have to be decided to what extent savings from current revenues can finanance Plan schemes and in what manner additional resources can be mobilised through borrowing and the creation of surpluses from public sector undertakings. There will obviously have to be a climate in which total investment can be raised appreciably and this can be done only if there is activity in all sectors — public, private, co-operative and joint — and foreign capital also is encouraged to flow into the country without misgivings.

Developing Backward Areas

S. VENU

In a federal state, the term 'regional imbalances' has a dual implication. First, it refers to differences in per capita incomes and other economic indicators among the constituent units or states comprising the federation. Second, it refers to specific backward regions or districts within a state.

The reasons for the backwardness of a region or area can have genesis in any one of the following inter-relationships:

It has

(a) the potentialities to achieve growth but growth is held up due to the fierce pull of factors working in other areas;

(b) the potentialities of growth but remains backward due to the shortage of a crucial factor of production and/or materials which cannot be had owing to general shortage.

It is potentially rich

(c) but the existing depressed situation is due to temporary/periodic setbacks and relapses which shall be overcome in the not-too-distant future;

(d) and is growing but relatively backward due to faster rate of growth of other regions/areas and given the facilities, it can reach the top position;

(e) but there is nil or insignificant investment in infrastructure by the local government or state government which scares away prospective investors;

(f) in raw materials, labour and capital but is situated away from the market and can lose the initial advantage of lower average cost of production due to the highest average cost of serving a given market;

(g) but the planning programmes are motivated by unbalanced economic and regional growth, with a motive to achieve the highest rates of growth;

(h) It is not endowed with resources to grow and shall perpetually depend on the remittances from the regional states/districts.

Such areas may also be undeveloped despite good potentialities as the apparatus of taxes, duties and rates is such that they create, reinforce, and perpetuate the repellent forces against new ventures.

It may as well be that they have been sucked to complete denudation of their natural resources and hope can only be revived by a technological breakthrough.

In November, 1968, the Planning Commission set up two groups to study this question — one working group was asked to recommend the criteria for the identification of the backward areas and the other to recommend fiscal and financial incentives for starting industries in these areas. The first group was headed by Mr B.D. Pande and the second by Mr N.N. Wanchoo.

The Pande group recommended the following criteria to be applied in aggregate to identify industrially backward states and union territories:—

(a) Total per capita income.

(b) Per capita income from industry and mining.

(c) Number of workers in registered factories.

(d) Per capita annualcon sumption of electricity.

(e) Length of surfaced roads in relation to:

(i) the population, and

(ii) the area of the state.

(f) Railway mileage in relation to:

(i) the population, and

(ii) the area of the state.

Besides Assam, Jammu and Kashmir and Nagaland, which have special problems, the following six states were regarded as industrially backward: Andhra Pradesh, Bihar, Madhya Pradesh, Orissa and Rajasthan. Amongst the union territories, Goa, Himachal Pradesh, Manipur and Tripura were considered as industrially backward; in respect of Himachal Pradesh, only one backward district might be selected. The Andaman and Nicobar islands, Laccadive and Minicoy islands and the North-East Frontier Agency are also industrially backward, but no useful purpose would be served in ex-

Table I

PER CAPITA INCOME OF STATES AT CURRENT PRICES

(In rupees)

State/Union Territories	1965-66	1966-67	1967-68	1968-69	1969-70
(1)	(2)	(3)	(4)	(5)	(6)
Andhra Pradesh	393	449	NA	NA	NA
Assam	418	500	558	556	,,
Bihar	323	294	399	N.A.	,,
Gujarat	417	468	529	N.A.	..
Haryana	447	589	678	,,	..
Jammu & Kashmir	NA	NA	NA	,,	..
Kerala	404	457	505	,,	,,
Madhya Pradesh	352	392	505	473	,,
Maharashtra	531	606	676	696	,,
Mysore	393	428	464	500	..
Orissa	NA	NA	NA	NA	..
Re-organised Punjab	610	751	828	,,	,,
Rajasthan	381	441	497	419	..
Tamil Nadu	437	512	551	543	..
Uttar Pradesh	364	423	498	NA	,,
West Bengal	403	452	533	547	..
Himchal Pradesh	389	NA	NA	NA	..
Manipur	324	,,	,,	..	..
Tripura	353	412	,,	,,	,,

N.A.—Not ascertained.

tending incentives for industrial development owing mainly to lack of infrastructural facilities.

The per capita income of the states over years at current prices is given in Table I (page 683)

The all-India average for 1967-68 was Rs 551.4, indicating the considerable income differential between states 'above' and 'below' the line.

Backward districts were to be identified on the following criteria:—

(1) Districts outside a radius of about 50 miles from large cities or large industrial projects.

(2) Poverty of the people as indicated by low per capita income starting from the lowest of 25 per cent below the state average.

(3) High density of population in relation to utilisation of productive resources and employment opportunities as indicated by:

(a) low percentage of population engaged in secondary and tertiary activities (25 per cent below the state average may be considered as backward);

(b) low percentage of factory employment (25 per cent below the state average may be considered as backward);

(c) non and/or under-utilisation of economic and natural resources like minerals, forest, etc.

(4) Adequate availability of electric power or likelihood of its availability within 1-2 years.

(5) Availability of transport and communication facilities or likelihood of its availability within 1-2 years.

(6) Adequate availability of water or likelihood of availability during 1-2 years.

The Wanchoo group recommended the following incentives to induce entrepreneurs to invest in backward regions and redress the imbalances:—

(a) Grant of higher development rebate to industries located in backward areas.

(b) Grant of exemption from income-tax, including corporate tax, for five years after providing for the development rebate.

(c) Exemption from the payment of import duties on plant and machinery, components, etc., imported by units set up in backward areas.

(d) Exemption from excise duties for a period of five years.

(e) Exemption from sales-tax, both on raw materials and finished products, to units set up in specified backward areas for a period of five years from the date of their going into production.

(f) Transport subsidy for reasons of special remoteness of certain areas, for taking out the finished products for a period of five years.

The financial incentives recommended by the group included the earmarking of large sums of credit by various financial institutions exclusively for backward areas. As it is, 62 per cent of the total credit by various financial institutions has gone to the metropolitan cities. The group, however, added that schemes in backward areas to be financed by financial institutions should be viable schemes or such as would become viable after a short initial period.

Developed plots should be given to entrepreneurs on a down payment of 10 per cent of the value of the land and for the first five years no further payment should be demanded. The balance of 90 per cent should be recovered over nine years.

A subsidy to the extent of 50 per cent of the cost of construction should be given to the entrepreneur who has provided built-up accommodation and the balance of 50 per cent should be collected from him in easy instalments over, say, 20 years. Where the entrepreneur chooses to construct the shed himself — and such a proposition should be generally encouraged — his cost of construction should be subsidised to the extent of 25 per cent.

The group also recommended that liberal credit terms should be given by lending institutions for setting up industries.

Subsequent to discussions in the National Development Council, it was decided that the union government would give an outright subsidy of 10 per cent of the total fixed capital cost up to a limit of Rs 50 lakhs for both public and private sector units. For subsidies in excess of this amount, each case would be decided on its merits. Two districts in each backward and one district in each advanced state would qualify for special incentives. The Industrial Development Bank of India would subscribe heavily to projects in backward areas.

Even prior to the working group's

TABLE II

RANK SIZE CORRELATION COEFFICIENT OF PER CAPITA INCOME AND CENTRAL INVESTMENT

State	Per capita income rank ascending order	Rank in central investment descending order
Madhya Pradesh	6	1
Orissa	4	2
West Bengal	14	3
Bihar	1	4
Tamil Nadu	11	5
Uttar Pradesh	3	6
Andhra Pradesh	9	7
Kerala	7	8
Maharashtra	15	9
Mysore	8	10
Gujarat	13	11
Assam	10	12
Punjab	16	13
Rajasthan	5	14
Haryana	12	15
Jammu & Kashmir	2	16

Source: Rajya Sabha proceedings, March, 1969, and Pande Working Group on Backward Areas.

studies, almost all states had very attractive incentive schemes for starting industries at focal points in their jurisdiction. They continue to have such schemes even now. Allowing for inter-state variations, the broad patterns are:

(a) Concessional rate of or exemption from payment of electricity tariffs.

(b) Similar concessions in respect of sales-tax and octroi.

(c) Bearing part of the cost of feasibility reports.

(d) Land at concessional rates.

(e) Supply of material at controlled rates with guarantees of government offtake in some cases.

Imbalances, however, persist and central public investment (which is a steadily increasing component of aggregate investment) does not bear any correlation to the per capita incomes of the states as revealed by Table II (page 684).

Bihar and Orissa remain backward in spite of large investments. Backward areas like Rayalaseema in Andhra Pradesh and Jaunpur in UP have not progressed. They are still in the 'Middle Ages'.

This brings us to the question of the relative efficacy of taxation and subsidies as means of providing stimuli to growth.

The pro-subsidies concession school argues on the following lines:

(i) The location of industries is not a critical factor with modern technology. Resources or raw material orientation has given way to market orientation.

ii) In the individual firm's "return formula" the regional subsidy plays a vital part.

(iii) Only some firms may change location with a favourable tax climate but this would suffice.

(iv) Pockets of affluence and unemployment co-exist in almost all systems.

(v) Local effort acts as a spur to the level of aggregate investment.

However, equally strong arguments can be advanced against concessions and subsidies on very valid grounds:

(i) It is incorrect to say that intra-regional competition is avoidable since all communities do not have the same time-horizon and interest in subsidies with differentials preventing neutralisation. It is inevitable in that transfer costs have some relation to distance and location cost differentials, for different functions of a firm to differ between regions.

(ii) Local subsidisation does not equate marginal costs and benefits. Localities shift the cost of subsidies to outsiders. Thus local marginal costs and benefits diverge.

(iii) Irrespective of fiscal concessions, much depends on the sheer availability of resources and economics of scale. Indian Aluminium's plant near Belgaum has been set up more because of the availability of power and bauxite than the concessional tariffs for electricity.

(iv) Heavy industries have been set up in areas like Bihar. The 'spread' effect is negligible as the ancillary units are located in other states. Capital has a tendency to follow overall demand elasticity — the greater the effect, the greater the locational pull. The supplier of components to Bihar from West Bengal has a "home" market in addition to the Bihar complex (unless the latter is a monopoly) and the incentive for closer location is absent.

(v) Where the supply of skilled labour is inelastic, the "pull" effect of subsidies is largely neutralised.

(vi) In the absence of a prosperous rural hinterland, subsidies cannot make up the leeway arising from lack of effective *mass* demand.

(vii) The cost of overcoming distance is a major factor. In the rural areas feeder roads are far apart increasing such costs. Total transfer costs in agglomeration involve a trade-off between transport cost saving and site rents.

Thus, with each state competing for a larger share of the limited 'investment cake' there is a strong case for

national regulation of tax concessions and subsidies.

Unequal regional growth is often inevitable to avoid disequilibrium in budgets and waste of capacity in enterprises where investment structure is indivisible and "lumpy" -- railways, telephones, etc. -- and which can be used advantageously on the spot. Thus, the spatial diffusion of industries is easier preached than practised. The optimum is a mixture of unequal growth and public action should cut off the *peaks* of inequality.

Spillover Benefits

Bearing the constraints in mind, various suggestions can be considered to bring about inter-regional equalisation with the maximum spillover benefits. If local public debt or state debt is tied to tax yields of the same entity, the benefit canon is satisfied, but the system lacks flexibility. The danger of "perverse" action is increased. A systematic bias against regional expansion of debt in areas of higher demographic and economic growth is produced, precisely the regions that can bear the debt, where the basis is past yields. Where the basis is future tax-yield forecasts, the method is over-elastic being subject to expansion at will depending on the opinion of the forecaster.

Tax autonomy is a luxury the underdeveloped countries can ill-afford in regional administration if they are to concentrate their energies on having economic development. Hence, an advantageous method is the assignment of tax yields collected by the central government to backward regions on one or more of the following bases:

(a) A share of the cost of certain public services (project tying);

(b) covering deficits of special bodies;

(c) yield in backward regions and its variance from total yield in the state;

(d) specific expenditure plans (programme tying).

We thus go back to the principles and types of grants-in-aid as fiscal leverages to assist the backward regions.

Equalisation of funds may be employed to reduce differences. These policies, however, should ensure that poeple do not linger in unsuitable areas instead of concentrating upon one place where growth can be realised.

Finally, "growth poles" may be preferable to dispersed uneconomic growth, the social cost of which to the community is high but hidden.

Foreign Trade Problem of Nepal

INDRA RAJ MISHRA*

NEPAL, A very much backward state as compared to India, is trying to foster its economic development through "export drive". Till now the exports of Nepal have mainly consisted of agrarian products. We are repeatediy advised to expand these traditional exports. But, we on the other hand, want to be free of the claustrophobia in our trading relationship with India. In other words, we want to diversify our foreign trade with the same intensity as India is doing at the moment. Further, we no longer are concentrating on traditional exports alone. Why is this happening can be a pertinent query.

Ten years ago — in 1960 — Nepal concluded a trade treaty with India and India provided a series of facilities with the full expectation that backward Nepal would not in any case be utilising all of them. The Gandak agreement that had benefited India a lot, also had its impact on shaping the content of the 1960 treaty. Trade without calculation is no trade at all. Therefore, there were certain safeguards which were subsequently utilised to get benefit out of the weaker bargaining position of Nepal. The amendments to the treaty bear testimony to this fact.

The exports of Nepal can be split up direction-wise and volume-wise into three categories as shown in Table I (page 688).

The table throws up the following facts:

(1) There has been more than four-fold increase in the total quantum of Nepal's exports.

(2) In trading matters, Nepal started to stretch out of India since 1959-60.

(3) Though the Export Entitlement Scheme was introduced in September, 1961, it could not materialise before the expiry of four valuable years.

(4) Nepal's exports to overseas countries till about four years ago represented a very small fraction of its total export trade (1.3 per cent).

(5) This fraction has gone up to six per cent in the last three or four years.

(6) The Export Entitlement Scheme, commonly known as "the Bonus Voucher System", has undoubtedly given a boost to Nepal's exports. The removal of the Bonus Voucher System at the moment, without providing a sound alternative, will damage Nepal's nascent export sector. But this does not mean that all is well with this sector. The boom in Nepal's exports has the least value of income and investment multiplier. This is for two reasons. Most of the workers and big magnates of Nepal's export sector are non-Nepalis. So, Nepal is often advised to switch over to a different pattern of exports and the plain fact is that it cannot have the switch-over in a short run. What we can, I am sure, do in the short run is to have our own workers and our own entrepreneurs so that we can easily return the profit and then have high value of income and investment multiplier. A growing awareness is there in Nepal at the moment to vitalise the export sector. Some of the old mills in this export sector must be owned by the Nepalese. This does not mean that there will be no room for joint ventures in those industries which may be newly established.

The pattern of production in the synthetic textiles, stainless steel and jute industries has very much come to the limelight in the Indian press. The profit in these lines of production is very high. These industries have been made targets by most of the newspapers in India because they are regarded as the roots from which the deflection of trade stems. Twenty per cent of the products of these industries are being consumed at home. Nepal has been exporting some of these to different parts of the world. When this kind of beginning is just being made to create a modern industrial sector, we are suddenly advised to switch over to agro-based industries. Such industries even if they are quickly established, will prove to be low-saving. This is bound to be so in the initial stages. The direct capital contribution of such industries to non-agricultural development will be extremely meagre. The abvious reason for this is that Nepal's agriculture is too much steeped in traditionalism. This does not mean that Nepalese have strong predilectiom against the development of agro-based industries.

*Mr Indra Raj Mishra is the Cultural Attache of the Royal Nepalese Embassy in New Delhi.

They are bound to crop up in this decade, which has been termed as "the development decade". "Smash the organised industries and switch quickly over to agro-based industries" is a very bitter economic pill prescribed for Nepal that is deeply in love with its sovereignty and independent economic policy.

Let us now turn to Nepal's visible imports. Table II presents the trend of increase in Nepal's imports from India and elsewhere.

Following are the important facts revealed by Table II :

(1) Nearly 97.1 per cent of Nepal's imports till recently were from India.

(2) The trade with Tibet was only about 0.9 per cent.

(3) The imports from overseas countries was only about 1.7 per cent.

(4) The effect of the "Export Entitlement Scheme" in raising Nepal's import is very visible.

(5) Sudden removal of this scheme without its more or less perfect substitute is bound to have adverse effect on the export trade of Nepal.

(6) Imports of Nepal from overseas countries have increased from Rs 2.1 million in 1956 to Rs 40.0 million in 1967-68.

Nepal's foreign exchange reserves, including gold, have increased from a mere Rs 51.4 million in 1957 to Rs 879.3 million in 1970. The "boosting up" of exports is not merely a catchy phrase but by now a reality. The credit goes to the "Bonus Voucher Scheme" which up till now, of course, has not increased our productivity. But as we have declared the current decade to be a development decade, there is a strong probability that our exporters, who are entitled to bonus vouchers, will use the foreign exchange in genuine investment.

After being acquainted with the facts, let us now try to switch the spotlight on the pattern of trade relationship that should be there between India and Nepal which have age-old ties of friendship woven by the woof and wrap of geography, culture, religion and the gnawing problem of poverty. I think the following steps will help.

(1) We should not try to hurt each other's sentiment. For example, the unilateral decision by India to send its goods to Nepal after the expiry of the 1960 Trade Treaty has made a

TABLE I

DIRECTION AND VOLUME OF NEPAL'S EXPORTS

(In millions of rupees)

Fiscal year	To India	To Tibet	To Overseas	Total
1956-57	93.4	2.0	..	95.4
1957-58	70.5	2.8	..	73.3
1958-59	116.7	1.2	..	117.9
1959-60	131.0	0 4	0.3	131.7
1960-61	204 2	0 6	5.0	209.8
1961-62	257.0	1 3	6.9	256.2
1962-63	283.6	1.6	2.4	287.6
1963-64	281.1	6.2	3.9	291.2
1964-65	433.2	5.4	2.0	440.6
1965-66	361.7	4.6	8.8	375.1
1966-67	359.9	5.6	60.9	426.4
1967-68	379.1	4.8	14.7	397.2

TABLE II

IMPORT TRADE OF NEPAL

(In millions of rupees)

Fiscal year	From India	From Tibet	From overseas	Total
1956-57	165 8	2 0	2 1	169 9
1957-58	150 3	0 3	7 7	158 3
1958-59	218.2	1.4	3.8	223.4
1959-60	269.9	2.8	14.8	287.5
1960-61	375.0	3.8	19.1	397.9
1961-62	439.7	4.8	..	444.5
1962-63	598.0	5.1	.	604.0
1963-64	595.6	7.1	1.9	604.6
1964-65	808.8	3.0	7.0	818.9
1965-66	763.5	7.3	11.2	782.0
1966-67	444.1	5 3	50.2	499.6
1967-68	431.9	5.9	40.0	477.8

deep cut into our national psyche. This decision of India is the conspicuous demonstration of its economic superiority and geographical advantages over a small nation.

(2) Overland trading facilities that land-locked Nepal badly needs at the moment must be provided so that it also gets the chance to diversify its direction of foreign trade. The test of pudding lies in eating. The mere declaration that India has given more facilities to Nepal than a land-locked country enjoys does not do much good.

(3) Pinpricks given by the Indian authorities to the Nepalese exporters and importers of goods from overseas must come to an end.

(4) A new trade treaty should be quickly concluded at the earliest possible to put an end to the uneasy situation prevailing at present.

(5) The request made by Nepal to extend the treaty of 1960 for one year was deliberately neglected by India. Such an act merely creates unnecessary misunderstanding.

(6) Deflection of trade cannot be checked by Nepal alone. Joint effort in this direction is an imperative. To harp too much on deflection of trade from Nepal without paying heed to the fact that smuggling to the tune of Rs 1,000 crores takes place every year in India is to try to tax too much the Nepalese administration. It is equally important that deflection of trade from India based on the raw materials imported from Nepal also should come to a dead stop.

(7) Nepal, which has already declared this decade to be a development decade, should try to court that pattern of development which is oriented towards agro-based industries. A clear-cut image of what major items should be exported to India from Nepal in this development decade ought constantly be kept before our mind. This way we would benefit ourselves and benefit India too.

(8) India at this stage should not lay too much stress on the export of goods by Nepal based exclusively on indegenous raw materials. Taking the raw materials position and the stage of development of Nepal for what it is, India should show greater gesture of friendship and co-operation so that Nepal's budding export and import trade is not adversely affected.

(9) Mixing of politics with Indo-Nepal trade relationship should not be encouraged.

(10) The greater the generosity shown by India in confering full freedom of transit to Nepal the stronger will be the friendship between the countries. Any undue advantage taken by India from Nepal's landlockedness is bound to create an abiding undercurrent of resentment in Nepal.

The field of co-operation between India and Nepal for trade is vast. Any perceptible increase in the per capita and national income of Nepal can quickly lead to a doubling of its imports (both visible and invisible) from India. Nepal imports to the tune of Rs 90 crores (both visibles and invisibles taken together) from India. This figure can double within a quinquennium if we get genuine co-operation from India to diversify our foreign trade.

RFC Neglects Small Units !

S. P. C. BHANDARI

THE ECONOMIC development of a country depends on many variables, the important ones being political, economic and social. Of these variables, the economic variable, inter alia, determines the pace of industrialisation. Industrialisation, in turn, depends on several factors, viz., men, money, machines, materials and management. Out of them, finance or money has a decisive role to play in keeping the wheels of industry ever moving. Finance provides the foundation on which alone the edifice of economic progress and prosperity can be built.

An industry can be financed through several means, such as issue of shares or debentures, public deposits, ploughing back of profits, bank advances or loans from financial corporations, etc. Both the central and state governments have established financial corporations to cater for the needs of different types of industries.

The Rajasthan Financial Corporation was set up on January 17, 1955, under the provisions of State Financial Corporations Act, 1951, passed by Parliament. It started working from April, 1955, with an authorised capital of two crores of rupees. Since then it has shown profits every year. An attempt is made here to evaluate its performance since its inception.

There has been a great expansion in the operations of the corporation since its start. As the corporation assists industries through loans, only the loan operations over a period of time and to different industries would be discussed.

The corporation sanctioned and disbursed loans amounting to the extent of Rs 21.71 lakhs and Rs 11.78 lakhs, respectively, in 1959-60. It sanctioned and disbursed loans amounting to Rs 69.79 lakhs and 62.16 lakhs, respectively, in 1968-69. As against the total sanctioned loans, since its inception, amounting to Rs 801.09 lakhs, only Rs 565.72 lakhs were disbursed. Thus, only 71 per cent of the sanctioned loans were disbursed. This gap between the sanctioned and the disbursed loans needed to be filled. It was heartening that the corporation improved its performance in this regard in 1968-69 when 90 per cent of sanctioned loans were disbursed as against 48 per cent in 1960-61. Table I (p. 690) shows the sanctioned and disbursed loans.

As the corporation was established to assist medium and small-scale industries, it has to be examined as to how far it has succeeded in this objective. Since its inception and up to 1968-69 the corporation has sanctioned 42 per cent of its loans to small-scale units and 58 per cent to others. The corporation would do well to increase its assistance to the small-scale sector for which purpose it was primarily established. Table II (p. 690) shows that the small units were sanctioned only 49 per cent of the amounts applied for as against 62 per cent of applied amounts in case of other units.

Thus, it is evident that the corporation has to improve its working so far as the financing of small-scale units is concerned. It should educate the small sector about its procedures, working and requirements so that the latter may get the maximum benefit out of its total funds.

The total loan amount applied for up to 1968-69 was Rs 1529.93 lakhs, but loans aggregating to only Rs 801.09 lakhs were sanctioned, i.e., 52 per cent of the laon amount applied for was sanctioned. This calls for a re-assessment of the corporations policies and procedures, on the one hand, and proper

understanding of its loan policies on the part of applicants, on the other.

The corporation has granted loans to different types of industries, working under different managements, such as, co-operative societies, partnerships, private and public limited companies, etc. The total amount sanctioned in 1968-69 was Rs 69.79 lakhs. Out of this, as much as 30 per cent was sanctioned to public limited companies and one per cent to co-operative societies. Thus, almost one-third of the total sanctioned loan amount went to public limited companies and co-operatives. Both of them could have secured loans from the Industrial Finance Corporation and the Rajasthan Financial Corporation could have utilised its funds for other concerns. The share in the sanctioned loans during 1968-69 of sole proprietorships, partnerships and private limited companies was 13, 24 and 32 per cent respectively, as is clear from Table III. The corporation should examine the possibility of increasing its assistance to sole proprietary concerns.

Big Concerns Benefit

The corporation is authorised to finance amounts ranging from Rs 15,000 to Rs 20 lakhs. During 1968-69, the amounts sanctioned between Rs 2 lakhs and Rs 10 lakhs constituted 82.5 per cent of the total. During the same year loans sanctioned below one lakh of rupees formed only 7.1 per cent of the total. This is evident from Table IV. Since its inception, the total loans sanctioned above Rs 10 lakhs constitute 20.7 per cent of the total. It is unfortunate that the major share of loans has gone to big concerns and the small units have had to go without the much-needed finance. During 1968-69, no single sanctioned loan exceeded Rs 10 lakhs and yet the percentage of sanctioned loans under one lakh rupees remained almost the same.

In earlier years loans exceeding Rs 10 lakhs were sanctioned. During 1968-69 when this was not done, the corporation would have done well if it had utilised this opportunity to assist small concerns with small needs instead of concentrating on assistance to medium-sized industries.

The corporation has made profit every year, yet there are many directions, as mentioned above, in which it has to improve its working. The corporation should, in particular, endeavour to maximise its assistance to the small industrialists with small needs. Liberalisation of loan criteria, streamlining of procedures and education of the intending applicants about its *modus operandi* would go a long way in enabling the corporation to accelerate the pace of industrialisation in Rajasthan.

TABLE I

LOANS SANCTIONED AND DISBURSED

(Rs lakhs)

Year	Amount sacntioned	Amount disbursed	Percentage of sanctioned amount disbursed
1960-61	27.40	10.25	48
1965-66	122.84	62.41	51
1968-69	69.79	62.16	90
From inception to 1968-69	801.09	565.72	71

TABLE II

LOANS APPLIED AND SANCTIONED ACCORDING TO SIZE OF INDUSTRY

(Rs lakhs)

Size	Amount applied for	Amount sanctioned	Percentage of total sanctioned loan	Percentage of amount applied for and sanctioned
Small	794.57	342.30	42	49
Others	735.36	458.79	58	62
Total	1529.93	801 09	100	52

Note: These figures pertain to the period from inception to 1968-69.

TABLE III

LOANS SANCTIONED CONSTITUTION-WISE

(Rs lakhs)

Kind of units	Loans sanctioned	Percentage of total
Public limited cos.	20.75	30
Private limited cos.	22.36	32
Partnerships	16.73	24
Sole proprietorships	9.32	13
Co-operative societies	0.63	1
Total	69.79	100

Note: Figures relate to 1968-69.

TABLE IV

AMOUNT-WISE CLASSIFICATION OF LOANS

(Rs lakhs)

Range	From inception upto 1968-69	Percentage of total	1968-69	Percentage of total
Below Rs 25,000	2.09	0.2	0.20	0.3
Rs 25,000 to Rs 50,000	15.69	2.0	0.77	1.1
Rs 50.000 to Rs 1,00,000	49.47	6.1	3.95	5.7
Rs 1,00,000 to Rs 2,00,000	68.46	8.5	6.99	11.7
Rs 2,00,000 to Rs, 5,00,000	202.14	25.2	19.88	27.5
Rs 5,00,000 to Rs 10,00,000	297.06	37.0	38.00	55.0
Rs 10,00,000 to Rs 20,00,000	166.17	20.7	Not sanctioned	—

F.I.C.C.I. ANNUAL SESSION

Accent on Productivity

INAUGURATING THE 44th annual session of the Federation of Indian Chambers of Commerce and Industry (FICCI) in the capital on April 10, the Prime Minister, Mrs Indira Gandhi, laid emphasis on productivity which, she said, was essential for the development of this country as a major industrial power. She said that the government had promised to hold discussions with leaders of trade unions and managements to see how best productivity could be increased.

The fact that there was always scope for an honest difference of opinion regarding the wisdom or otherwise of particular policies, was conceded by her. Mutual recrimination, she added, did not take the country far and as democrats all should function within a common framework which had the support of the people. Continuing, she said that no one, whether in government or outside, was infallible in his judgement. Every one could learn from other's experience; that is why the government was always willing to listen to the views of leaders of industry and business on economic, industrial and trade policies. The businessman, she said, had often complained against the encroachments made by the government though even today as much as 85 per cent of the economy remained in the domain of the private sector. Many of the crucial decisons which moulded the economy were taken in the private sector. It was because of this that she was anxious for a proper understanding between the government and the private sector.

Imbalances in Economy

Regarding imbalances in the economy the Prime Minister opined that it was impossible to move simultaneously all along the front. Economic growth, she said, could not take place at the same rate everywhere in the country; nor could it be the same in all activities. Again, some imbalances emerged because in retrospect the judgement of the government turned out to be faulty. There was thus the possibility of an inaccurate assessement of particular needs of the economy. The forecasts of even the best statisticians and experts often suffered from large margins of error. However, she drew attention to the imbalances which were deliberately created and were of irritating nature. Imbalances, she added, between supply and demand in the case of essential goods were sometimes created by artificially starving the market or by a deliberate diversion of resources from required areas or uses of powerful groups and individuals for use elsewhere. Conceding the point that not all businessmen indulged in such activities she said that even a few instances were sufficient to create an adverse impression of the mind of the public and in such a situation, drastic remedies became necessary to restore some balance.

Discussing the important question of price stability, she recognised the significance of the emphasis laid by businessmen both on increased production and productivity and the linking of wages with prodnctivity as one of the effective means of maintaining costs and prices at reasonable prices. But she also listed the resistance encountered in the process of taking these measures for the sake of holding the price line. She cited the case of farmers who wanted higher prices for their produce even when unit costs had gone down as a result of increased yields. They would like the parities between farm produce and manufactured goods to shift to their advantage, she added. Simultaneously the industrial workers wanted the rise in the cost of living to be neutralised so as to prevent any erosion in their standards of living. The industrialists also expected to be compensated for every item of increase in cost.

Vicious Circle

While ensuring satisfaction to all these groups, there was need to devote attention to the imperative necessity of increasing exports for which prices had to remain competitive in world markets. In her view, the procedure and practices of the Tariff Commission seemed to have sanctified the concept of price fixation on a cost plus basis. This vicious circle had to be broken, emphasised the Prime Minister. A critical scrutiny of costs and prices, she stressed, was essential if the price line was to be held. This could happen, in her view, only if there was all-round efficiency and if different sections of society moderated their sectional bargaining power. It was in this connection that she had drawn attention to improvement in productivity, a reference to which has already been made.

Regarding the decentralisation of powers in relation to industrial licensing, she drew attention to the large segment of industry which was already outside the scheme of licensing. The whole field of industry was not subject to licensing. Large units which involved investment up to a crore of rupees were outside the licensing procedures. That was a wide area in which the states could play an active role in industrial development. If the business community desired that the states should license large units and allocate foreign exchange, she felt that certain basic factors were being ignored. "We have a national market. The development of industry and the allocation of foreign exchange must necessarily be fitted into an overall scheme of national priorities. How can this be achieved with the decentralisation of licensing and allocation of a scarce resource such as foreign exchange?" she asked.

Making a reference to the speech made by the Finance Minister while presenting the interim budget in the Lok Sabha, the Prime Minister said that the government was intending to augment the scale of public investment which would supplement and strengthen the efforts of the private sector. If the industry put emphasis on growth, it would draw both sympathy and support from the government. If, however, there was hesitation on the part of the private sector, the government might have to encroach on what the private sector considered its territory.

Better Distribution

Referring to the remark made by the FICCI president that the government should devote more attention to production, the Prime Minister said that increase in production and better distribution should go together. In her view, any other course would lead to decline in production and the projects and schemes which the government had laid out carefully, would be engulfed by the despair of the masses.

The Prime Minister agreed with Mr D.C. Kothari that some of the official procedures needed to be streamlined and the government was looking into that aspect. At the same time, the Prime Minister felt that the controls imposed by the government were not for stifling industrial growth but for ensuring that such growth gave the maximum social benefit.

The Prime Minister requested the business community to regard the government not as its adversary but as its friend. She said that the government wanted industrialists and businessmen to prosper but that prosperity should not be at the expense of the general economic welfare but rather a by-product of it.

Mr D.C. Kothari, President of the FICCI listed many plus points while reviewing the economic progress made by the country during the last 20 years. Food production had gone up by 100 per cent while industrial prodution had risen by 200 per cent. Per capita income had improved by 1.3 per cent per year.

The level of investment, according to Mr Kothari, never matched our requirements. Since 1965, it had remained stagnant at around 12 per cent of the national income while the country needed to invest a minimum of 15 per cent to achieve a breakthrough. Mr Kothari was of the opinion that only when the level of investment had been raised to that level, this country could get the momentum to sustain a high level of activity for a continuous minimum income growth of six per cent with additional job opportunities for five million persons every year. In addition to the imbalances which had risen in the economy Mr Kothari drew attention to the following problems: (a) The steady increase in unemployment, (b) stagnation in production, (c) the tendency of prices to rise, (d) the demand for increased wages following higher cost of living, (e) exports not keeping pace with targets and (f) deterioration in the law and order situation, particularly in certain parts of the country.

Unemployment, Mr Kothari said, was the biggest problem facing the country. With the spread of education the number of educated unemployed had tended to increase. The large-scale public works programmes which the government has started, were likely to absorb both unskilled and skilled personnel. This effort needed to be strengthened with schemes for better arterial and radial system of communications, power distribution networks, canals and channels, and more houses and hospitals.

Revolution in Cash Crops

Discussing the green revolution in the country, Mr Kothari drew attention to the need for extending this revolution to cash crops. While this country had recorded a remarkable success in the evolution of new varieties of wheat, and, to some extent, in maize, not much headway had been made in the case of such crops as rice, cotton, jute and oilseeds. Through increased production of these crops, the agro-industries in our country would progress further and our foreign exchange earnings would be augmented considerably.

The increase in the population of urban areas without simultaneous augmentation of houses and other civic amenities was a live source of unrest and indiscipline in the country. He drew pointed attention to the state of West Bengal where 30 per cent of this country's industry was concentrated and where violence and indicipline were widespread. In Mr Kothari's view, tensions in urban areas needed to be reduced through massive programmes of development. On behalf of the FICCI, Mr Kothari assured the government that its constituents would lend their full co-operation to the government's programmes for the control of population. Regarding the question of distributive or social justice, he opined that the welfare of the people could not be promoted if production was stagnant. Production, according to him, needed to be increased all round and there should be no controversy about the proposition that growth of production should be inter-linked with the spread of social justice.

Rising Prices

Commenting on rising prices, Mr Kothari said that they were due to production not keeping pace with demand, and demand had grown enormously due to increase in population, reinforced by improvement in purchasing power, particularly in rural areas. He suggested that a formula should be worked out in consultation with trade unions for relating at least some portion of the increase in wages directly to productivity. Though attempts had been made in this regard in the past, they had not achieved much success and most of the resolutions or discussions had remained only a matter of form.

Mr Kothari criticised the controls on industry which, he said had come into being three decades ago during the war years. A number of new controls had been added since then. In his view, these controls had become cumbersome and complex. Granted that there might not be much scope for any fundamental or radical changes but within the framework of the law and rules as evolved, there was scope for simplification and quickening the process of licensing. At present, there is no need to get an industrial licence if the raw materials imported do not exceed three per cent of the ex-factory annual value of production. Mr Kothari was of the view that this percentage should be substantially increased. He said that the government should not worry about the exchange spent on the import of raw material since it would be cheaper than the import of finished products. Mr Kothari put forward the suggestion that a certain amount of foreign exchange as also certain powers of licensing should be allocated to the states so that decentralisation might help in speedier disposal of applications and quicker establishment and expansion of industries. He hastened to add that such decentralisation should not result in creating new imbalances or weakening in any way the overall policy of harmonious in-industrial growth.

Discussing the functions of the public sector undertakings, Mr Kothari expressed the view that it would be possible to look forward to surpluses from public sector enterprises provided the requisite autonomy in their operations was forthcoming. In the same way, the surpluses from the savings of corporations in the private sector could be augmented and utilised for re-investment in the businesses that generated them. Though the corporate segment, both public and private, was smaller than the agricultural sector, it was this section of the economy which could provide the funds needed to strengthen the framework for sustained development. Regarding small-scale industries, Mr Kothari expressed the view that this country had to make a deliberate effort to stimulate their growth; both the government and the large-scale units should assist the fomation of small-scale industries for manufacturing ancillaries and components. The large-scale units in our country could also render valuable service by deploying their personnel to give production, marketing and financial advice to small-scale units. The goverment could also further strengthen the existing institutions assisting the small-scale sector.

Export Possibilities

Discussing possibilities of exports, Mr Kothari recommended that this country should gear up its export policy and procedure "to take the fullest advantage of the opportunities which will come in the wake of the implementation of the UNCTAD general scheme of non-reciprocal, non-discriminatory preference." They were intended to increase the export earnings of a developing country such as India, to promote industrialisation and to accelerate the rate of economic growth. When the FICCI delegation visited Japan, the Japanese asked its members to think in terms of supplying industrial goods to Japan. The Japanese firms were willing to collaborate with this country in international tendering and in the setting up of industrial ventures in third countries. But the export effort of this country needed strong assistance from the institutional framework. Export credit, for example, had become an accepted feature of international trade in recent years. Mr Kothari suggested that Export Import Bank should be set up which would be a dynamic agent to put both export and import trade on a sounder basis.

Mr Kothari suggested that there should be a rapport between the government and the private sector. He said that the development of the country should be taken as an integral whole and not from any sectoral point of view.

Whether development took place in the private or the public sector, it had to be for the welfare of the nation. To that extent the government, industry and business should get together in trying to solve problems.

The Resolutions

THE FOLLOWING four resolutions were passed by the Federation of Indian Chambers of Commerce at the 44th annual session held in the capital between April 10 and 12.

Gradual Erosion of Normal Trade Channels

The trading community of India, which has a long and distinguished record of service to the nation, has unfortunately become a target not only of misrepresentation and calumny, but also a victim of state policies in both foreign and internal trade. This is most unfortunate because independent traders contribute to healthy functioning of country's economy apart from earning their own livelihood.

With the base of their pursuits being continuously eroded through the working of commodity controls, state trading and the like, a large number of people have been thrown out of employment and more are confronted with the same fate. Fresh displacement will take place consequent upon state trading in cotton and jute, control over distribution and prices of drugs, etc. Ideas are also being mooted for state trading in other commodities like foodgrains, oilseeds, etc., in some states. In addition there is the move to further extend state trading in the area of import trade. The situation is fraught with serious consequences because the country is already faced with the immense problem of unemployed millions.

The replacement of private trade by state trading has invariably resulted in a rise in price to the consumer, irregularity in supply, non-availability of the qualities and varieties of items and indifference to consumers' wishes. In the circumstances, the Federation urges upon government to reassess the social-cost and social-benefit of state trading. At the same time, the Federation wishes to impress upon businessmen to modernise their methods of operation to serve better the consumer and society as a whole.

Towards Dynamic Industrial Growth

By all accounts, industry in India has reached a certain state of maturity. Production is now diversified; considerable machine-building capacity has been installed; significant intermediate technology has been evolved; entrepreneurship is more broad-based; new managerial techniques are being adopted. All this can take our industry to the next stage of growth both through the expansion and establishment of industrial units. We are in a position to meet the growing demand of consumer goods, agricultural inputs and promote larger exports.

Such vast potential for industrial growth is not being fully utilised; critical shortages of intermediates and raw materials, both industrial and agricultural are being experienced; finance for industry is becoming scarce; power and transport bottlenecks have emerged. These are reflections of the imbalance in the economy and can be removed if the entire economy is conceived of as an integrated and organic whole.

Both government and private enterprise have to exert themselves fully to remove such imbalances. Entrepreneurs must avail themselves of the opportunities that are available for expanding economic activity. This endeavour will help in supplementing the efforts of government to tackle the big problem of unemployment.

It is important that there is complementarity of industrial units of different sizes—large, medium and small-scale. The infrastructural facilities like power and transport should be ahead of demand. To attain these objectives, which according to the Federation is practicable, two essential conditions have to be fulfilled:

Firstly, it is time to seriously consider to what extent the regulatory provisions which originated during the wartime three decades ago, and to which more have been added during recent years, stand in the way of imparting the requisite dynamism, and to what extent, therefore, they have to be revised.

Secondly, it is imperative that both government and industry work together in an atmosphere of mutual trust and confidence towards finding ways of overcoming the problems and to place the development of industry on a sound and dynamic footing.

Credit Facilities and Deposit Mobilisation

Industry and trade are increasingly finding it difficult to finance their operations because of the rising prices of inventories and credit control. The Federation appreciates that the expansion of credit is essentially governed by the rate of growth of deposit mobilisation and every effort need be made in this behalf.

However, it is of the opinion that in a growing economy, with resources yet to be energised, monetary expansion would have a positive influence on production. Towards this end the Federation suggests:—

(i) Maintenance finance must be available to any productive unit. Such finance must not be denied merely on the ground of resource constraint, whether it is general or is limited to any particular bank. It may be considered in this connection whether a planned expansion of credit-base, on an annual basis, through refinance should not be adopted to ease the situation that is obtaining generally.

(ii) Every conceivable effort needs be made to ensure that the services of banks improve steadily and this must be given the highest priority by the state, especially after the nationalisation of major banking institutions.

(iii) The government, being an important participant in production and distribution, should agree to 'accept bills' for supplies. and where that is not possible have a time-bound contract for payment in every case so that rolling of funds is quickened.

(iv) A forum for periodical discussions as between the business and the monetary authorities should be established.

(v) The Reserve Bank should reconsider its decision about the gradual elimination of credit facilities against stocks and shares, since this restriction, in addition to others is inhibiting smooth functioning of business.

(iv) Where industries have suffered for reasons beyond their control, say, labour trouble, transport bottleneck, etc., special credifacilities on soft terms should be made available on a very liberalised norm.

(vii) Industry and trade should also encourage banking habit among its business associates and its workers.

Law and Order Situation

Law and order situation has been a matter of public anxiety for some years now. Political ideology which preaches violence, taking advantage of the freedom allowed by democracy, has been seeking to strengthen itself. Certain trade union leadership has encouraged violence, illegal strikes and go-slow. The number of man-days lost in 1969 was over 19 million and indications are in 1970 it will exceed 25 million. Anti-social elements in this situation feel emboldened to indulge in activities to imperil normal social life.

The situation in our eastern sector, particularly in West Bengal, is beset

with a number of political, economic and social problems. The economy has grievously suffered with industrial units either getting closed or not working to capacity. Fresh investments, public and private, have not been taking place. The problems of this major state are indeed the problems of the whole of India.

The Federation trusts that the new governments in West Bengal and at the centre will pool finances, talents and resources so that what has to be done is done with expedition. In the opinion of the Federation, there is reason to look forward to fruitful results, especially because the centre has gained considerable strength and stability after the mid-term elections.

In this connection, the Federation would like to assure the authorities that businessmen extend their fullest co-operation to all measures which will help the maintenance of law and order and acceleration of economic activity.

FICCI Awards, 1970

TO COMMEMORATE 40 years of its existence, the Federation of Indian Chambers of Commerce and Industry instituted Awards in 1967 in recognition of individual and corporate initiative in economic and social development. The underlying idea has been and is to inculcate a wider sense of social responsibility in business as well as other groups in the fields of agriculture, export promotion, family planning, industrial relations and research in science and technology.

The jury consisting of Dr P.B. Gajendragadkar, Dr D.S. Kothari, Mr K.R. Damle, Dr Atma Ram, Mr R.G. Saraiya and Mr D.C. Kothari (President, FICCI) decided to make the following Awards for 1970 which were presented by the Prime Minister, Mrs Indira Gandhi, on April 10, 1971—the opening day of the Federation's forty-fourth annual session, in Vigyan Bhavan, New Delhi.

Agriculture: *Indian Leaf Tobacco Development Co., Ltd, Calcutta*

The main contribution of the company consists in pioneering the cultivation of virginia tobacco on Indian soil and the innovating of the flue-curing process. To this end, a research department has been maintained for over four decades; so also a training school. The main thrust of the activity is to carry out extensive surveys throughout the country on different facets of tobacco cultivation. The company has been providing inputs such as seedlings, fertilizers and pesticides to farmers on loans. A Master Farmers' Scheme has been launched to demonstrate and propagate improved techniques evolved by the company. As a result, the production of virginia tobacco has increased almost seven times between1939-40 and 1968-69.

Export Promotion: [Under this category two awards have been made.]

1. *Kamani Engineering Corporation Limited, Bombay*

The corporation has made an impressive breakthrough in the export of transmission line towers and conductors. During 1969-70, its exports aggregated Rs 46.5 million, five times more than its own performance in 1968-69. Currently, it is executing a big turn-key project in Sudan valued at Rs 60 million. It has also on hand a large package deal with Iran valued at Rs 180 million. The highlights of the corporation's export performance have been the pioneering work that it has done in the export of transmission line towers from India. A small beginning was made in 1962 when towers worth 1,500 tonnes were exported to New Zealand. This was followed up by a big effort as a result of which, Indian transmission towers found their way to Canada, Iran, Kuwait, New Zealand, Nigeria, the Philippines, Seychelles, the Sudan, Taiwan, Tanzania, Thailand, the United States of America and the West Indies. Thus, a breakthrough was made in the developing countries; so also to the most sophisticated markets. The corporation has now been registered as an export house. Although for the present, it is handling only the products of its sister concerns, it has drawn an elaborate plan to offer its services and experience to various outside units, particularly small-scale industries.

2. *Tata Engineering & Locomotive Co. Ltd, Bombay*

The company has established a unique record in the field of export promotion. Its exports consist mainly of vehicles, excavators and spare parts thereof. Between 1967-68 and 1969-70, exports went up from Rs 12.8 million to Rs 72.2 million. The achievement assumes special significance in the light of the fact that only in April 1969 TELCO started marketing its vehicles under the trade name of "TATA" instead of "Mercedes-Benz". There were apprehensions that, as a result, TELCO will not be able to sustain the exports of previous years. Initially, a number of difficulties had to be faced: aggressive Japanese selling in Africa, Middle East, West Asia and Far East; attractive long-term and deferred payment facilities by competitors; flexibility and wide range of commercial vehicles offered by others; higher freight rates. To get over all these, TELCO had to make a thorough study of new markets.

Family Planning: *Dr. A. B. Kar, Deputy Director General, Drug Research Institute, Lucknow*

Dr Kar has been working behind the scene to help the country to mitigate, if not overcome, the massive problem of population explosion. He is not a man in the field; he works quietly in his laboratory, discovering chemical and non-chemical means of contraception. He is a researcher whose work is well-known to the scientific world. Dr Kar has been engaged in research on fertility control and physiology of reproduction for the past 25 years. He is the author of about 300 research papers, published in about 60 national and international journals, and co-author of three monographs: Biology of Reproduction, 1963; Intrauterine Devices: Physiological and Clinical Aspects, 1968; and Advances in Fertility Control, 1969; all published by the World Health Organization, Geneva. Since 1944, he has been investigating the genital effects of steroids in experimental animals and was able to demonstrate their antiovulatory and antispermatogenic effects long before they were actually used for family planning and birth control. Dr Kar carried out exhaustive studies on the effect of Enovid, the first oral contraceptive, on physiology and biochemistry of the genital organs and other endocrines of rhesus monekys, from birth to sexual maturity and was able to show the absence of any adverse influence of this contraceptive. Since 1963, he has been engaged in collaborative research on development of orally active post-coital contraceptives or the so-called 'morning-after pill' for the female. Dr Kar holds jointly seven Indian and three US patents on chemical contraceptives, synthesised and bioevaluated.

Research in Science and Technology: *Indian Agricultural Research Institute, New Delhi*

The Institute has pioneered the "wheat revolution" in India. A great deal of work has been done on the introduction, evaluation and popularisation of the fertilizer responsive-dwarf wheats. Besides wheat significant effort has been made in respect of maize, pulses, barley, oilseeds, fodder crops and horticultural crops. The same has been backed by excellent work in mutation research and agro-technology to exploit the full yield potential of the crops. Systematic basic work in crop protection technology conducted in the Institute includes work on pest, disease and nematode control as also development of new pesticides and formulations.

WINDOW ON THE WORLD

Trade Barriers in Pharmaceuticals

JOSSLEYN HENNESSY

LONDON:

I

FREE TRADE AREA INITIATIVE

THE PERMANENT delegates of the European Free Trade Area countries and a representative of Liechtenstein signed in Geneva on October 8, 1970, a convention designed to remove obstacles to trade in pharmaceutical products. The convention will come into force 90 days after it has been ratified by five governments. I give here the background to the convention and outline its main features.

The rapid progress in medical and pharmaceutical science in recent decades has had a profound effect on the potency and sophistication of pharmaceutical products offered on the market today. While contributing to ever-increasing standards of medical care, modern pharmaceutical products impose a considerable responsibility upon governments to ensure that the community is fully protected against the hazards inherent in these new and powerful products. This responsibility to ensure safety and efficiency, and at the same time to avoid hindering the introduction of valuable new discoveries, is one which is internationally recognised and has resulted in the institution of official systems of control adequate for current pharmaceutical production.

Two Forms of Control

Two forms of official control of pharmaceutical products are widely exercised. The first, registration or licensing, seeks to ensure by the submission of a new product to a variety of tests that the requirements of safety and efficiency appropriate to that class of product are satisfied. Such a filtering procedure is not of itself sufficient, since chemical and physical methods of testing can no longer guarantee, for example, the quality of sera and vaccines, nor can they determine that the product will throughout its production life consistently match up to the standard of the batch submitted for registration. The maintenance of consistent high quality in pharmaceutical products requires a continuing quality-control mechanism to be built into the production procedures of the manufacturer, and obliges the health authorities to monitor the performance of this mechanism in practice.

Thus the second form of official control involves inspection of pharmaceutical manufacturing plants by trained inspectors, who measure the standards of production against official norms to ensure that production continues in accordance with original specifications as registered and under appropriate conditions of safety and hygiene. This form of control, aimed at the maintenance of quality control by the manufacturer, involves observance by the manufacturer of high standards of manufacturing practice and necessitates a cross-fertilisation of ideas between manufacturers and authorities, so that the standards employed keep pace with the innovations and the developing technology of industry.

II

WORLD-WIDE MARKET

Because the market for pharmaceutical products is world-wide, international trade has greatly increased in importance not only for the pharmaceutically advanced exporting nations, but for those countries, such as India, where the need for such products is increasing as they seek to combat disease and better their standards of medical care.

When it comes to importing pharmaceutical products, it is not surprising that countries, for reasons of prudence, seek to impose upon foreign imports the same standards of control that they apply to domestic products. This means in practice a time-consuming duplication of testing procedures and constitutes a barrier to international trade in this important commodity. The solution to this problem is not to abandon national control procedures, but to foster international co-operation in the field of standards.

One possible avenue of advance in this direction is harmonisation of standards and controls through the medium of uniform legislation, so that a licence issued by the country of manufacture on commonly agreed terms could be accepted by other consenting countries. Experience has shown the practical difficulties of reaching standards acceptable to countries at different levels of technical development. Some progress in this direction has been achieved by international organisations, principally the World Health Organisation and the Council of Europe, but it is clear that the measures adopted will require time before they are translated into the reality of application.

Mindful of the conditions prevailing in the field of international trade in pharmaceutical products and of the objects of the Association as contained in Article 2 of the Stockholm Convention, the EFTA Council in 1966 set up a working party on government regulation on pharmaceuticals. The mandate of the working party fell into two parts, one of which was concerned with whether there were barriers to trade in pharmaceuticals between the EFTA countries. The working party (whose report, issued in 1968, confirmed the existence of such barriers) began work on one identified trade barrier, namely, the problems connected with the import of pharmaceutical products when the adequacy of manufacturing conditions was not known to the importing licensing authorities. To inspect the manufacturing plants of the producer of each product submitted for licensing would be costly and time-consuming, and in any case manufacturers in some countries are forbidden by law to permit the inspection of their plants by foreign inspectors. Such a procedure might impede international trade in pharmaceuticals by encouraging fear of breach of confidence about secret manufacturing processes and developments. The working party sought to overcome this deadlock by international agreement and received a favourable reaction from the EFTA Council in 1967.

A solution might have been found by agreeing, within the EFTA framework, on common standards of manufacturing practice with the aim of standardising national inspection systems. The working party rejected this approach, because it would have involved considerable delay while national legislations were amended to enable inspections carried out in one country to be recognised in others.

The EFTA Solution

Instead, the working party took as a foundation the idea of "standing in each other's shoes", and elaborated a scheme for the export of pharmaceutical products which used, to the maximum, the existing national institutions. National inspection systems and standards would remain intact and national authorities would continue to inspect according to their own standards. If pharmaceutical products were destined for export, the national authority of the importing state would ask the national authority of the country of manufacture for information on both the general standards of manufacturing practice

in the producing firm and also the specific standards of manufacture and control of the product in question. The information given in response will have been acquired in the course of an inspection, but if the information is deemed insufficient by the national authority of the importing state, or if the scope of inspection prevailing in the importing state is wider than that of the exporting country, the national authorities of the importer could request further information by additional questions on those points not covered by the inspection system of the exporter. The national authority of the exporting country would provide this further information, if necessary after a further inspection voluntarily undertaken. All the information accumulated would be given in a confidential report and would then be assessed by the national authority of the importing country as if the report had been made by one of its own inspectors, and if satisfied with the information, would issue an import licence without further ado.

A double safeguard of the interests of manufacturers is built into the scheme. In the first place, a manufacturer is entitled to withhold consent to the transmission of the whole or part of information by his national authority to that of the importing state. In such a case the national authority of the importing state is notified and may treat the product concerned as one in respect of which full information has not been provided and therefore as one upon which a favourable evaluation is unlikely. Secondly, the information transmitted may be only that which is essentially associated with quality control, and this therefore excludes information on technical know-how, research development and financial and commercial matters. It is considered that by these means the possibility of unlicensed disclosure of confidential information has been eliminated.

III

NEW CONVENTION SIGNED

The scheme was presented to the EFTA Council in March, 1969, in the form of recommendations for a draft "Convention for the Mutual Recognition of Inspections in respect of the Manufacture of Pharmaceutical Products" and, after certain outstanding points had been settled by the Council, the convention was signed on October 8, 1970.

The prime advantage of the scheme is that for domestic consumption it leaves intact national systems and national standards and, for products to be exported, uses the exporting country's own system of inspection to provide the basic data on which the decision whether to permit importation will be made, quite properly, by the authorities of the importing country. In this way the scheme can rapidly become a reality with a minimum of change in national legislations, although the convention does provide an 18-month period in which minor adjustments to legislation may be made. The scheme of the convention is such that it requires the buttress of mutual confidence in the standards of other inspection systems and, perhaps of more importance, of confidence in the persons who actually carry out the inspections, and who provide the importing country's national authority with the data upon which it is to make its evaluation.

For thisreason, Article 8 of the convention provides for meetings to be held at least once a year between official or inspecstors of the national authorities in order to exchange experience on achieving effective inspections and promote the mutual training of inspectors, at all times within the framework of the current developments of other international organisations. This will ensure not only that, within time, the system within the signatory states will converge and effect a *de facto* measure of harmonisation, but also that the health system created does not become closed and inattentive to developments in other quarters.

Accession by Invitation

Although the signatory states of the convention comprise only the 16 EFTA countries (Austria, Denmark, Finland, Iceland, Norway, Portugal, Sweden, Switzerland, the United Kingdom, Belgium, France, West Germany, Italy, the Netherlands, Spain, the United States of America) and Liechtenstein, it is not the intention to limit participation to these states. On the contrary, Article 11 provides for the accession of other states which have developed inspection system. Accession by invitation has been chosen because of the technical character of the convention. It envisaged that an interested state should normally be invited to participate in the activities of the committee to be instituted under Article 8 and, in its turn, to act as host to the officials of the national authorities of the contracting states.

Because the EFTA governments, in their work on barriers to trade in pharmaceuticals, have not seen harmonisation of standards and controls as their immediate goal, it has been possible for them to reach agreement on this convention much more quickly than would otherwise have been possible. And the covention will not stand in the way of any harmonisation that may be achieved by international agreement with a wider geographical basis. Its importance is that the convention, once ratified, can immediately contribute to the removing of one particular barrier to trade in the near future.

IV

E.F.T.A. AND E.E.C.

After an undramatic six months of preliminary skirmishing, the negotiations for British entry to the Community are poised to advance into what should be the decisive last round. The Community's talks with Ireland, Denmark and Norway, a step behind those with the UK, are quietly making solid progress. Now the Community is turning its attention to the problems of the other members of the European Free Trade Association which are not seeking full membership: Austria, Sweden, Switzerland, Portugal, Iceland and Finland (EFTA's only associate member) have formally entered the ring and started exploratory talks with the Community.

The positions of the six EFTA noncandidates differ widely. Four of them — Sweden, Switzerland, Austria and Finland — are neutral, while Portugal and Iceland are members of the North

Atlantic Treaty Organisation. Sweden is the only one that has not yet completely ruled out applying for full membership; Portugal has asked for association, and the others want arrangements varying from a free-trade area to a customs union.

All of them, however, are unanimous that, whatever the political map of Europe is to look like after the Community's enlargement, tariff barriers to trade must not be re-erected as EFTA fulfils its own innate death-wish. For the Scandinavians, in addition, there must be no weakening of the extremely close Nordic integration in other fields (such as the free movement of labour and the right of establishment) that has been painstakingly achieved in recent years.

The Community View

The December, 1969, Hague summit communique stipulated that as soon as the negotiations with the candidate countries were opened, discussions would begin with other EFTA members which requested them on their future relations with the Community. These discussions are intended to solve problems which enlargement would raise for those European states that are not candidates for entry.

The Community view — as stated by the Chairman of the Council of Ministers at the opening meeting with each country — is that solutions must not hinder the enlarged Community's autonomy, its common policies, its effectiveness and its development prospects. Any agreements negotiated must respect the international commitments undertaken by the two parties, for example within the framework of GATT. The Community has also expressed its determination to prevent the creation of new obstacles to intra-European trade.

Trade Winds

STEERING GEARS FOR CARS

For some years there has been a ban on the establishment of new units for the manufacture of ancillary items for autmobiles such as commercial vehicles, motor cars, jeeps, scooters, motor cycles, mopeds etc. Early in 1969, the position was reviewed and the ban on creation of new units was removed in respect of a few items of automobile ancillaries. The position was reviewed further in October 1969, in the context of the higher targets fixed for various types of automobiles during the fourth five-year Plan and it was expected that the demand for automobile ancillary items would also rise further as a result of substantial increase in the production of tractors, power tillers, diesel engines, passenger cars etc. in the country by the end of the fourth five-year Plan. After examining the applications received in response to the invitation, letters of intent have been issued to a number of parties for establishing adequate manufacturing capacity for practically all items except a few. To the latter category belongs "steering gears," in respect of which it has been decided to invite further applications for the sufficient number of applications had not been received to make an adequate selection. Accordingly, parties interested in the establishment of new units for the manufacture of steering gears have been invited to submit applications for industrial licences in the prescribed form, with complete particulars, to the union Ministry of Industrial Development and Internal Trade (Department of Industrial Development). The last date for submission of applications for licence under the Industries (Development and Regulation) Act, 1951, is May 31, 1971.

HELP TO BACKWARD AREAS

As part of a country-wide programme for the promotion of industries in relatively backward areas, it has been decided to select a few districts covering all the state and union territories to qualify for an outright grant or subsidy by the centre. Such assistance will amount to one-tenth of the fixed capital investment of new units having a total fixed capital investment of not more than Rs 50 lakhs each. Schemes and projects for new units involving a fixed capital investment of more than Rs 50 lakhs will be considered on merit

It has been decided to select two districts each in the states of Andhra Pradesh, Assam, Bihar, Jammu & Kashmir, Madhya Pradesh, Nagaland, Orissa, Rajasthan and Uttar Pradesh and one district each in the remaining states and union territories for providing such assistance. The districts selected so far for grant of subsidy are: *Assam*: Goalpara, Mikir Hills; *Bihar*: Darbhanga (one more under consideration); *Jammu & Kashmir*: Srinagar, Jammu; *Kerala*: Alleppey; *Nagaland*: Kohima; Mokokchung; *Orissa*: Kala handi, Mayurbhanj; and *Uttar Pradesh*: Ballia, Jhansi. In Madhya Pradesh and Rajasthan, the selection of two districts is yet to be finalised.

CREDIT LIMITS OF BANKS

With a view to ensuring greater flexibility in the procedure governing levy of commitment charge by scheduled commercial banks in respect of the unutilised portion of credit limits, the Reserve Bank of India has made some changes in the procedure with effect from April 1, 1971. The bank had earlier directed all the scheduled commercial banks to levy, with effect from April 1, 1970, a commitment charge at the rate of one per cent per annum in respect of the unutilised portion of credit limits of Rs 10 lakhs and above in order to impart a greater degree of discipline on the part of borrowers in estimating their credit requirements and to assist in a more rational allocation of credit. For the purpose of levy, the unutilised portion of credit limit was deemed to be the difference between the maximum limits of utilisation during any quarter as indicated by the borrower and the average amount utilised by him during the said quarter. It came to the notice of the Reserve Bank that this requirement was causing some hardship to certain categories of borrowers. The bank has accordingly modified the procedure on the following lines: (i) Banks may permit borrowers to indicate their maximum requirement *on a monthly basis*, instead of on a quarterly basis; (ii) no commitment charge should be levied by a bank if the average monthly or quarterly utilisation does not fall short of 95 per cent of the maximum monthly or quarterly requirements indicated by borrowers. Banks are, however, allowed to continue the practice of excluding withdrawals by parties in excess of their indicated limits for the purpose of calculating the average utilisation for the month or for the quarter as the case may be; (iii) no charge should be levied in cases where the drawings by parties exceed the indicated limits by not more than five per cent for a period not exceeding one week. This change has been effected in order to bring about uniformity in the procedure for charging penal rates on excess drawings. The categories of credit limits to which the commitment charge does not apply will, however, continue unchanged.

HINDUSTAN LATEX

The Nirodh manufacturing unit, Hindustan Latext Ltd, completed two years on April 5. Set up in 1969 the factory produces condom (Nirodh) to meet the growing demand in the country for the safe and simple device for birth control without any need for clinical advice and services. The consumption of condoms which was 25 million pieces per annum in 1967-68 is expected to be around 140 million in 1970-71. The condoms produced by Hindustan Latex are comparable with the best produced anywhere. Every condom produced is tested for pin-holes by fully automatic electronic testing machines. To meet the increasing demand for Nirodh, the Hindustan Latex have decided to double their present production capacity of 144 million pieces of Nirodh per year by setting up one more factory of the present size.

NEW CANADIAN LOANS

Agreements for two Canadian development loans worth Rs 30 crores (43 million) were signed on April 7, 1971. One loan for Rs 28 crores ($ 40 million) will be used during 1971-72 to finance the import of industrial commodities, fertilisers and fertiliser materials. The second is a Rs two crores ($ 3 million) line of credit for use by the Oil and Natural Gas Commission. The loans are on the usual soft terms granted for all Canadian development loans to India during the last five years. They are repayable in fifty years, including a ten-year grace period and there are no interest, service or commitment charges. These terms are the softest available to India from any source. The agreemrents were signed by Mr Paul Gerin Lajoie, President, Canadian International Development Agency, and Dr I.G. Patel, Secretary in the Department of Economic Affairs, Ministry of Finance. The Rs two crores($ 3 million) line of credit will enable the Oil and Natural Gas Commission to secure many of their equipment, material and service requirements in Canada on a continued basic during the fourth five-year Plan. The equipment and materials will be used in the ONGC's continuing oil

exploration and development programmes. As one of the world's leading gas and oil producers, Canada has a technologically advanced oil and gas equipment industry and is able to supply a wide range of exploration and development equipment. This is the second loan Canada has provided to ONGC. In 1969 a sum of Rs 1.4 crores ($ 2 million) was made available for the purchase of oil wall casings. In 1964, a Rs 84 lakhs ($ 1.2 million) grant was also provided to the Commission for the import of construction equipment.

COCHIN REFINERIES

Cochin Refineries Ltd has paid Rs 68,78,614 to the union government as dividend for the year 1969-70. A cheque for this amount was presented recently by Mr C. R. Pattabhi Raman, Chairman of the company, to Mr. D.R. Chavan, Minister of State for Petroleum & Chemicals and Non-Ferrous Metals. The company has an equity capital of Rs seven crores, in which the central government's share is Rs 3.7 crores, i.e., 52 per cent. This year's dividend, therefore, means a return of 18.5 per cent to the government. In addition, the government has earned Rs 7.39 crores in the form of non-recoverable duties which, incidentally, are not passed on to the consumers. The refinery has been on commercial production for the last four years. While accounts for the last year, 1970-71, are yet to be finalised, in the first three years it has paid a total dividend of Rs 4.24 crores to its shareholders; the central government alone received over Rs 2.24 crores.

HINDUSTAN STEEL

The three main steel plants of Hindustan Steel during the financial year 1970-71 produced 3.61 million tonnes of steel ingots and 2.64 million tonnes of saleable steel. Despatches from these plants amounted to 0.96 million tonnes of pig iron and 2.70 rillions tonne of saleable steel. During the year, the aggregate production of hot metal in the three steel plants of Hindustan Steel was 4.27 million tonnes. Plantwise, production figures of ingot steel were 1.94 million tonnes in Bhilai, 0.63 million tonnes in Durgapur and 1.04 million tonnes in Rourkela. Production of saleable steel plantwise was 1.54 million tonnes in Bhilai, 0.41 million tonnes in Durgpur and 0.68 million tonnes in Rourkela. Production in Bhilai steel plant was the highest achieved in any year so far in respect of sinter, blast furnace hot metal, granulated slag, ingots produced and rolled, billets, merchant products, wire rods and total saleable steel. Despatches of saleable steel during the year were also the highest on record. Alloy steels plant during the year produced 50,600 tonnes of ingot steel and 38,600 tonnes of saleable steel and despatched 33,500 tonnes of saleable steel.

FERTILIZER CORPORATION

The five production factories of the Fertilizer Corporation of India at Sindri, Nangal, Trombay, Gorakhpur and Namrup attained a total production of 97 per cent of the target set for the year 1970-71 and 85 per cent of the capacity. But for power restrictions, principally at Nangal and Garakhpur, which contributed to a loss of production of 35,000 tonnes of nitrogen, 94 per cent of the capacity production would have been attained. Trombay and Namrup units attained an all-time high production, exceeding the previous year by nearly 20 per cent. Sindri exceeded previous year's production whereas Gorakhpur would have exceeded but for power interruptions. After consistently good performance during the previous years, Nangal suffered badly entirely on account of power cut imposed on it. The total sales for FCI at about Rs 80 crores represent approximately 25 per cent increase over the past year. Trombay had an all-time record sales at about Rs 31 crores—an increase of 40 per cent over the previous year. Overall profits of the corporation before interest but after depreciation were over Rs five crores.

COFFEE OUTPUT

Coffee production in 1970-71 has been estimated to have totalled 95,000 tonnes, an all-time record. The previous record was 78,000 tonnes in 1967-68. The Coffee Board is making special arrangements for storage and curing to meet the additional output. The bumper crop has resulted in liberal releases of coffee in the internal market, resulting in reduced prices for the consumer. It has been estimated that earnings from coffee exports will be Rs 25 crores this year as against Rs 20 crores last year. The board has also undertaken a crash programme for developing the 'coffee habit' among people, not accustomed to this beverage. The board will open modern and well-equipped coffee houses in various parts of the country. The first of these will be opened in Patna shortly.

SMALL DRUG UNITS

Small scale drug manufacturing units have been given certain exemptions from the provisions of the Drugs (Prices Control) Order, 1970. For the units with an investment of less than Rs 7.5 lakhs in plant and machinery, it will not be necessary to obtain the approval of the central government before marketing a new pack of any of their existing formulations. They will, however, have to see that whenever a larger pack is introduced, its price is less than the total price one will have to pay for purchasing the same quantity in smaller packs. In case of a new pack smaller than the existing one, the price will be fixed pro-rata on the basis of the price of the existing pack. The central government, however, will have to be informed within a week of the marketing of a new pack as to how the price how been fixed. Among the small scale units, those with a turn-over of less than Rs five lakhs in the last accounting period have been further allowed to market their new formulations or increase the retail price of an existing one without prior approval of the government. But, again, the government must be provided, within a week, the details of how the prices have been fixed.

WITHDRAWAL OF RS09 TRACTORS

The Gujarat Agro-Industries Corporation Ltd, after discussions with the RS09 Tractor Owners' Association, has agreed to withdraw the tractors and replace them with new ones. Three hundred and twenty-three out of 478 RS09 tractors were sold to the farmers out of which approximately 163 have so far been modified by the corporation under the supervision of GDR technicians posted in Gujarat. No pressure is, however, being brought by the RS09 Tractor Owners' Association or the corporation on any farmer who is satisfied with the tractor, to return the same.

TARIFF ON CLOTH IN U.K.

Mr L.N. Mishra, union Minister of Foreign Trade, stated in Rajya Sabha recently that the British government had announced on July 22, 1969 their intention to introduce from January 1, 1972, a tariff on imports of cotton textiles from Commonwealth preference area including India, on the lines proposed earlier in a report of the British Textile Council. On cotton cloth, the main item of export from India, the duty would be about 15 per cent *ad valorem*. From January 1, 1972 the existing general quota system would also be terminated. Under the existing arrangement, India has a bilateral quota arrangement with the UK for the export of her cotton textile. This country further enjoys duty-free entry and a margin of preference of 17½ per cent is guaranteed to us under the Indo-UK. Trade Agreement of 1939. The UK is the largest single market for our cotton textiles and our annual foreign exchange earnings through exports of cotton textiles to UK has been, on an average, about Rs Rs 21 crores. The proposed change in import regime in UK would affect our export of cotton textile very adversely on account of tariff being

raised on our textiles from zero to 15 per cent, the bilateral quota system being done away with and also duty-free access being continued to certain other countries. Mr Mishra added that recently this country had received a request from the British government to release them from their obligations regarding textiles under the Indo-UK Trade Agreement of 1939. This country, he pointed out, asked for official level consultations in the matter. He hoped that these consultations would lead to a mutually acceptable solution of the problem.

L.I.C.

The Life Insurance Corporation has recorded a significant rise in its new business for the year 1970-71, with a total business of Rs 1,303 crores as against Rs 1,036 crores. The increase works out to Rs 267 crores as against Rs 106 crores and Rs 85 crores in 1969-70 and 1968-69 respectively. The total number of policies issued during the year was 1.62 million as against 1.40 million in 1969-70 registering an increase of 221,000 policies or 15.8 per cent. The western zone has continued to occupy the first position since 1967-68 in sum assured. In percentage, the central zone has recorded the maximum increase of 37 per cent. During the year, the corporation has broken fresh ground in its socio-economic role through its investments. Its total investments for 1970-71 exceeded Rs 268 crores, an increase of over Rs 40 crores over the preceding year. As against fresh investment of Rs 64.03 crores and Rs 30.23 crores in the central and state government loans respectively during 1969-70, the LIC invested over Rs 86 crores and Rs 41.5 crores in 1970-71 under these two heads, an increase of Rs 33.5 crores.

S.T.C.

The State Trading Corporation is chalking out a new strategy to increase exports by entering into direct collaboration with marketing houses in various countries. Its exports next year are planned to be increased to Rs 90 crores. Releasing the provisional accounts of the Corporation for the year ending March 31. 1971 Mr P.L. Tandon, chairman, said that the STC's profits after tax could not come up to the budgeted figure of Rs 4.90 crores. They were likely to be only Rs 2.44 crores, mainly because of the government's pricing policy with regard to soyabean oil and tallow whose prices had gone up in the international market while the internal sale prices were pegged down at last year's levels. Another reason was the increase in export losses which had gone up to Rs 5.5 crores against the budget figure of Rs 50 lakhs only. Next year, however, export losses were expected to be reduced to Rs 1.69 crores. The STC's total turnover in 1970-71 was provisionally stated to be Rs 215 crores against last year's Rs 163.10 crores. The increase was mainly in larger imports which had gone up to Rs 140 crores against Rs 102.60 crores last year. Imports were expected to go up further to Rs 175 crores next year. Exports this year had also gone up to Rs 70 crores against Rs 55 crores last year and were expected to go up to Rs 90 crores next year. Mr Tandon said that 1970-71 was a good year. Exports rose by 27 per cent and imports by 37 per cent. In 1971-72 exports were expected to rise by 28 per cent and imports by 25 per cent.

NAMES IN THE NEWS

Mr G.N.S. Robertson, T.D., a former Deputy Chief Representative of the Burmah Oil Group of Companies in India and a Director of Oil India Ltd (since its incorporation in February 1959 to August 1968), has assumed responsibility for dealing with the group's operations in India, Pakistan and Australia in the London office of the Burmah Oil Company at the executive level.

Company Affairs

PANYAM CEMENTS

Mr T.S. Sundaram, Chairman, Panyam Cements and Mineral Industries Ltd, made a pointed reference to the existing arrangement of price-cum-freight pooling which alone could encourage investment in the backward areas in the field of cement. Addressing the annual general meeting of the company, he added that the most important factor regarding the location of the cement factory in a backward area was the availability of raw material resources. Mr Sundaram stated that cement grade limestone was not available in the backward regions in economic deposits within easy access to the railway line. In order to establish new capacity, he stated, price control was necessary to give adequate protection and reasonable return on capital to entrepreneurs. Considerable investment was required for beneficiating the limestone or for transporting it over the difficult terrain and over long distances. He added that it was this system of pooling that has encouraged the establishment of some high cost units in backward areas.

Mr Sundaram indicated that net profit, including the tax credit towards excise duty rebate of Rs 13.75 lakhs, was Rs 46.31 lakhs which was lower than Rs 49.4 lakhs during the last year. He pointed out that the main reason for the setback was the substantial increase in costs. The new third dry process unit continued to face teething troubles and it did not work to its rated capacity. The raw mill particularly could not work up to its capacity and along with the kiln the raw mill had to be frequently stopped to carry out necessary modifications. The chairman stated that the cost of coal freights, goods and services also contributed to a decline in profits. The company however proposed to maintain its dividend at 12 per cent. With the inauguration of third plant on January 29, 1970, the company had completed its 10 years of progress starting with a unit of 200 tonnes per day to its present capacity of 1,100 tonnes per day of clinker.

Talking about the transport problems, Mr Sundaram stated that yard facilities were quite inadequate at some important centres. He added that the planning of the railway facilities had also been lopsided in the sense that certain facilities had been developed at places such as Kharagpur yard where matching traffic was not likely to materialise for two to three decades. While at other places facilities for transport were inadequate even to meet the requirements of the present time. Talking about the export performance of the industry, Mr Sundaram stated that a quantity of 1,61,000 tonnes of cement was exported. This low quantity of export was because of high ocean freights, non-availability of shipping space and limitations of port handling capacities, he added.

SYLVANIA AND LAXMAN

Sylvania and Laxman Ltd has shown good results for the year ended September 30, 1970. Sales have increased from Rs 176 lakhs in the previous year to Rs 262.75 lakhs. The gross profit has increased three-fold to Rs 39.41 lakhs from Rs 14.42 lakhs. After providing Rs 7 84 lakhs for depreciation and Rs 18,000 for development rebate, the net profit is Rs 31.39 lakhs against Rs 7.05 lakhs. Maiden dividend has been paid at the rate of six per cent in equity shares. Mr Laxman S. Agarwal, chairman stated at the annual general meeting that both the coils and leadwire plants of the company had been installed and in fact some production of filaments had already been made. The installation of fluorescent powder manufacturing equipment was also in an advanced stage and was expected to be completed within the next few weeks.

DELHI CLOTH MILLS

The directors of Delhi Cloth and General Mills Ltd have proposed an interim equity dividend of five per cent on the increased capital, including the bonus shares issued recently, for the year ending June 30, 1971. The interim dividend will absorb Rs 87 lakhs. It may be recalled that the company has recently obtained the sanction of the authorities to issue four bonus shares for five shares held by capitalising Rs 7.73 crores. This will increase the equity capital to Rs 17.39 crores. The DCM proposes to expand the capacity of the Kota fertiliser unit by 50 per cent and an application for permission is still pending before the central government. Disclosing this, Mr Bharat Ram, Chairman of the DCM, stated recently that the company was also planning to set up a nylon plant at Madras as a subsidiary to the DCM. He hoped an application for the same would be cleared soon. Mr Bharat Ram deprecated the talk of reducing the price of tyre cord and stated that the Tariff Commission report was now about two year old and it had no relevance to the recent rise in cost. The industry, he said, could not accept such a proposition because it would reduce the profitability of the units.

SHAMA ENGINE VALVES

Shama Engine Valves Ltd proposes to enter the capital market on April 19 to offer for public subscription 97,500 equity shares of Rs 10 each and 5,250 (9.3 per cent) cumulative redeemable preference shares of Rs 100 each. The issue has been fully underwritten. The additional capital will be required for financing the expansion programme. The company has been given permission by the union government to raise its present production capacity of 600,000 valves annually to 1.4 million valves. The expansion will involve a total capital expenditure of Rs 50 lakhs.

ELPRO INTERNATIONAL

Elpro International Ltd has recorded during the 15-month period ended December 31, 1970, fairly good performance which has been confirmed by the recent declaration of a maiden equity dividend of Rs 10 for the year. The company's gross profit for the period has touched Rs 38.48 lakhs from Rs 19.54 lakhs for the year ended September 30, 1969. There was an increase in sales to Rs 2.61 crores from Rs 1.50 crores. The company's net profit works out to Rs 22.73 lakhs after providing Rs 13.13 lakhs for depreciation and Rs 2.62 lakhs for development rebate reserve. The directors have set apart a sum of Rs 2.36 lakhs to write off preliminary and share issue expenses and Rs 42.379 to nuetralise the loss brought in. The balance of Rs 11.45 lakhs has been transferred to the general reserve. The proposed dividend, the whole of which will be exempt from tax, claims Rs 8.50 lakhs. The sale of alloy magnets and X-ray products improved during the period under review. The company has received a letter of intent in respect of its application for expanding its capacity for the manufacture of intensifying screens from 2,640 pairs to 7,500 pairs per year.

ANTIFRICTION BEARINGS

The directors of the Antifriction Bearings Corporation Limited have recommended a higher dividend of 12 per cent for the years 1970 against 10 per cent paid previously. The company's

sales have increased to Rs 1.30 crores from Rs 1.05 crores. Its gross profit is up from Rs 32.63 lakhs to Rs 45.89 lakhs. After providing Rs 15.31 lakhs for depreciation, Rs 2.25 lakhs for development rebate reserve and Rs 15.50 lakhs for taxation the net profit is Rs 12.83 lakhs. From this, Rs 12.80 lakhs has been transferred to general reserve. The proposed dividend will claim Rs 7.20 lakhs and will be paid from general reserve. The company has embarked upon an expansion programme raising the capacity from 464,000 bearings to one million bearings per annum. The capital outlay on the proposed expansion of Rs 4 crores will be financed from internal resources and borrowings. The expansion is to be completed by the middle of 1972. After the expansion is completed its turnover in the current year is expected to be around Rs 1.60 crores.

DEVIDAYAL CABLE

Devidayal Cable Industries Ltd has improved its working during the year 1970. The company's sales have gone up to Rs 5.20 crores during the year under review as against Rs 4.02 crores in the previous year. After providing Rs 8.95 lakhs for depreciation and Rs 8.76 lakhs for taxation the net profit earned by the company amounts to Rs 20.20 lakhs as against Rs13.72 lakhs for the previous year. The directors have recommended the payment of dividend on equity shares at the rate of Rs one per share, same as in the previous year. The company expects to show still better results for the year 1971. It has expansion plans on hand.

SHIPPING CORPORATION

The Shipping Corporation of India has signed a contract with the Hindustan Shipyard for the construction of five modern cargo liners, each with a capacity of 13.400 tonnes deadweight for a total value of Rs 20 crores. The contract was signed recently in Bombay. These liners are to be delivered between 1972 and 1973. The corporation has so far taken delivery of 22 vessels built at the Hindustan Shipyard. Including these five, as many as seven vessels are on order with them for delivery in the next three to four years.

ADARSH CHEMICALS

The directors of Adarsh Chemicals Ltd have proposed to issue bonus shares in the ratio of two shares for every five shares held. They have also proposed an equity dividend of Rs 10 per share for the 16 months ended December 31, 1970. The company had skipped the equity dividend for the year ended August 31, 1969.

CIPLA

The Chemical, Industrial and Pharmaceutical Laboratories Ltd has reported a profit of Rs 3.13 lakhs for the year ended October 1970 against Rs 2.49 lakhs in the previous year after providing Rs 3.82 lakhs for taxation, Rs 2.83 lakhs for depreciation and Rs 46,687 for development rebate reserve. Appropriations include Rs 50,000 for gratuity reserve and Rs 2.63 lakhs for general reserve. Sales were Rs 1.53 crores against Rs 1.34 crores in the pervious year. The directors have proposed a dividend of Rs 8 per share to be paid out of general reserve.

MODELLA WOOLLENS

The directors of the Modella Woollens have proposed a dividend of 10 per cent for the year ended December 31, 1970 The company has earned a gross profit of Rs 29.25 lakhs against Rs 22.97 lakhs a year before. After providing Rs 9.68 lakhs for depreciation, Rs 4,000 for development rebate reserve and Rs 10.40 lakhs for taxation, the net profit is Rs 9.14 lakhs against Rs 10.99 lakhs. After adjustments, Rs 6.58 lakhs has been transferred to general reserve and Rs 2.53 lakhs to reserve for exempt profit reserves. The proposed dividend will claim Rs 6.50 lakhs and is to be paid from general reserves. The directors expect a portion of the dividend to be free of tax in the hands of shareholders.

BINNY LIMITED

The directors of Binny Limited, Madras, have skipped the dividend for the year 1970, the first full year of its working after the amalgamation in 1969. Its gross profit had declined to Rs 11.59 lakhs from Rs 175 lakhs. After providing Rs 122.98 lakhs for depreciation there is a net operating loss of Rs 11.39 lakhs against a profit of Rs 60.96 lakhs. After providing Rs 31.05 lakhs for development rebate reserve the loss for the year amounts to Rs 142.44 lakhs against a loss of Rs 6.32 lakhs in the previous year.

NEW BANK OF INDIA

The New Bank of India Ltd has reported significent growth during the year ended December 31, 1970, when its deposits went up to Rs 31.92 crores from Rs 22.26 crores, an increase of over 43 per cent, and advances increased by Rs 4.26 crores to Rs 18.52 crores Reserves and carryfor ward amount to Rs 48.99 lakhs which is over three times the amount of the paid-up capital. The directors have recommended a dividend of 20 per cent which was being maintained since 1969. The bank opened 19 new branches during the year, making a total of 69 banches.

Company Meeting

MADRAS RUBBER FACTORY LIMITED

MR. K. M. CHERIAN

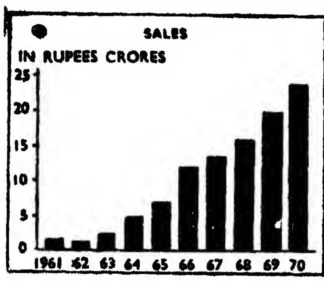
Chairman's Speech for the 10th Annual General Meeting

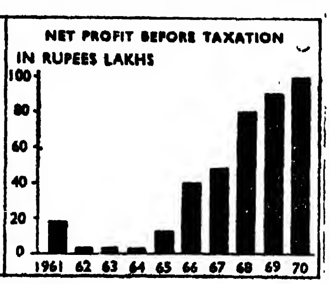
I have great pleasure to welcome you to the Tenth Annual General Meeting of your Company.

We are meeting just after the most eventful election that our country has had since independence. Let me offer on behalf of the company and on my own behalf our humble felicitations and hearty congratulations to Mrs. Gandhi in whom the whole country has confided its destiny. Likewise I would like to offer our felicitations and congratulations to Sri. Karunanidhi and his team in whom Tamilnadu has reasserted its confidence. The key note of these elections according to me is stability. What the country today needs is stability of Government levels, Centre and State. I am confident, as no doubt all of you are, that with this set-up the progress of India as a whole and Tamilnadu in particular is in for a state of accelerated development.

WORKING RESULTS:

The directors' report and audited accounts for the year ended 30th September, 1970, have been in your hands for some time now and with your permission I shall take them as read. Production, Sales and Profits of the Company registered substantial increases during the year consistent





with our usual performance. Sales increased by 20%, viz: from Rs. 20.33 crores to more than Rs. 24 crores. Net profit recorded an increase from Rs. 94.25 lakhs to Rs. 100.82 lakhs. The increase in the net cash generation has been from Rs. 147.89 to Rs. 173.24 lakhs.

The Directors are pleased to recommend the payment of a dividend of 12% on the paid-up capital of the company as on 30-9-1970.

EXPANSION:

The balancing equipment received and installed during the year has resulted in additional capacity which has contributed to the higher production during the year. Part of the machinery in respect of our substantial expansion has already been shipped. Efforts are being made to expedite the shipment of the remaining machinery so that the expansion of our capacity from 3,60,000 to 6,10,000 tyres and tubes can be completed in 1972.

BICYCLE TYRES:

The production of Bicycle tyres has commenced from 1st March, 1971. The production will be gradually increased.

INDUSTRIAL PRODUCTS:

Production of Brake Chamber Diaphragms has also been taken up from February 1971 and they are now undergoing field tests.

SUPPLY MEETS DEMAND:

The tyre shortage felt by the market in November/December last year was the cumulative effect on go-slow and strike conditions in some of the tyre factories. The position has since changed to one of supply meeting demand, with the factories now fully in operation. With the concerted efforts of all tyre companies, effective steps have been taken to ensure fair distribution of tyres so that our products reach consumers at company's approved prices.

EXPORTS:

During the year under review, our exports have exceeded Rs. 58 lakhs. Our exports of tyres go to more than thirty countries and prominent among them is the U.S.A. where we are now exporting a wide range of tyres. It has only been through sustained efforts on our part since the inception of our factory that we have been able to obtain this level of export performance. We have taken export as a deep commitment to our country and we shall spare no effort in furtherance of this commitment.

I had emphasised in my last year's speech that it is of great importance to foresee problems in the field of exports. In this connection, I have to report a problem arising from the ban imposed by the Government on export of nylon tyres to U.A.R.

International tyre companies with whom we have to compete in the U.A.R. market have completely changed over from rayon to nylon and in many cases to polyester, fibreglass and steel cords in preference to nylon. In a situation such as this, supplies of rayon tyres will put us at a severe competitive disadvantage in the U.A.R. I am confident that this will receive the Government's full consideration.

RESEARCH & DEVELOPMENT:

Last year I touched on the necessity to continue technical collaboration agreements in view of the importance of getting technical know-how from the collaborators on a continuous basis. Owing to the vital importance of this subject, specially from the point of view of our export markets, I would like to once again emphasise that there is no effective alternative to the continuous technical know-how now received from the collaborators. In the applied research area of tyre technology, tyre units in India are making considerable progress. At the same time it is clear that it is advantageous for our country to receive on a continuous basis from advanced countries the benefits of original research done by them in tyre technology. The amount of expenditure involved in original research of tyre technology is colossal. That is why in a large country like the U.S.A. there are only about 10 independent tyre companies, as only economically-sized units can afford to incur such a large expenditure on research. As against this we already have 8 units in this country and with the addition of 12 new units we will have 20 tyre factories in India. Even granting that resources, men and expertise can be found in India for taking up such original research it

will still be a highly uneconomic proposition, as the total production of tyres in India—representing only 2% of the total U.S.A. production—is not large enough to warrant such expenditure. This is why even developed countries such as Japan, Italy, etc., are still depending on original research done in other countries like the U.S.A.

It is also a fallacy to presume that as a country develops, its technical fee payments should come down. This is amply demonstrated by the example of Japan whose royalty payments are increasing substantially every year. What is, therefore, necessary is a rational approach to the subject, keeping in mind the importance of our export markets where our position will be weakened if we do not keep pace with the latest technological development in tyres.

PROSPECTS:

The working of our company for the first five months has been quite satisfactory and if the same trend continues, our results for the current year will be better than that of the previous year.

COLLABORATORS:

We are indebted to our technical collaborators. The Mansfield Tire & Rubber Co., Ohio, U.S.A., and their President Mr. James H. Hoffman for the technical help that they have continued to give us and for assisting us, without any reservations, to find export markets even in their own country.

CONCLUSION:

With deep sorrow I have to report that Mr. C. Ramasubban, our Director nominated by I.F.C., passed away early this year. In him we had a counsellor of matured and varied experience.

This year will mark the 25th year of Madras Rubber Factory which started as a partnership concern. Starting as a toy balloon manufacturer, MRF has grown into what it is today—a major tyre producer.

Today I remember with gratitude all our retreader friends, tyre dealers, consumers, bankers, financial institutions and suppliers for their close co-operation. I thank the workers, staff, management and my colleagues on the Board for their contribution to the development of your company.

RECORDS AND STATISTICS

Census of India, 1971

THE 1971 decennial census enumeration of the population of India was carried out from March 10 to April 3, 1971. The census reveals the profile of the country's population as at sunrise on April 1, 1971.

The total population of India (provisional) was 546,955,945. The country's population recorded ten years ago at the 1961 Census was 439,072,582. Thus in the decade 1961-71, the population grew by 107,833,363. indicating a growth rate of 24.57 per cent, as against the previous decadal growth rate of 21.5 per cent.

The 1971 Census figures should give a shot in the arm to the family planning programme. The population revealed by actual count at the census has been less by 14 millions than the officially projected population figure of 561 millions. The assumption made by the expert committee on population projections of the very rapid fall in death rate appear to have been over-optimistic. The impact of family planning would also seem to have been imperceptibly more than what was expected.

Table I gives an overall picture of the size, density and growth of population of the country since the turn of the century.

Statewise Distribution

Table II on page 707 gives a comparative picture of the distribution, density and growth rate of population among the states and union territories.

Area

The first six states in the order of ranking of area are (1) Madhya Pradesh (444,000 Km²), (2) Rajasthan (342,000 Km²). (3) Maharashtra (308,000 Km²) (4) Uttar Pradesh (294,000 Km²), (5) Andhra Pradesh (277,000 Km²), (6) Gujarat (196,000 Km²).

Population Size

The states that take the first six places in order of population size are:

(1) Uttar Pradesh (88,299,453); (2) Bihar (56,387,296); (3) Maharashtra (50,295,081); (4) West Bengal (44,440,095); (5) Andhra Pradesh (43,394,951); (6) Madhya Pradesh (41,449,729).

While the first three states kept up the same ranking as in 1961; West Bengal moved up from 5th rank in 1961 to 4th in 1971 at th expense of Andhra Pradesh. Similarly, Madhya Pradesh moved up to the 6th place overtaking Tamil Nadu.

Density of Population

If the union territories were not taken into consideration, the following are the first six more thickly populated states in that order (1) Kerala (548 per Km²), (2) West Bengal (507 per Km²), (3) Bihar (324 per Km²) (4) Tamil Nadu (316 per Km²), (5) Uttar Pradesh (300 per Km²), (6) Punjab (268 per Km²).

The national average density is 182 persons per Km².

Among the union territories the first three places are taken by (i) Delhi (3723 per Km²) (ii) Chandigarh (2254 per Km²), (iii) L.M. & A. Islands (994 per Km)².

Growth Rate of Population

Among the states, the following show the highest growth rates of population during the decade 1961-71 in that order.

(1) Nagaland (39.64 per cent), (2) Assam (33.51 per cent), (3) Haryana (31.36 per cent), (4) Jammu & Kashmir (29.60 per cent), (5) Madhya Pradesh (28.04 per cent), (6) Rajasthan (27.63 per cent).

Among the union territories the first three places are taken by (i) Chandigarh (114.36 per cent), (ii) A & N Islands (81.11 per cent), (iii) Delhi (52.12 per cent).

Sex Ratio

India's total population is made up of 283,055,987 males and 263,899,958 females. It well be seen that the total number of females is much smaller than males. Thus the sex ratio of India's population is unfavourable to females there being only 932 females per 1000 males. While the sex ratio in India's population even in the past has invariably been unfavourable to the females, it is distressing that it has further deteriorated from 941 in 1961 to 932 in

TABLE I

THE SIZE, DENSITY AND GROWTH OF POPULATION FROM 1901

Year	Total population	Decadal variation of population (+) or (—)	Decadal growth rate per cent (+) or (—)	Density of population* (per km²)	Progressive growth rate 1901 %
1		3	4	5	6
1901	238,337,313	—	—	79	—
1911	252,005,470	+13,668,157	+5.73	84	+5.73
1921	251,239,492	+765,9778	—0.30	84	+5.14
1931	278,867,430	+27,627,938	+11.00	93	+17.01
1941	318,539,060	+39,671,630	+14.23	106	+33.66
1951	360,950,365	+42,411,305	+13.31	120	+51.45
1961	439,072,582	+78,122,217	+21.64	146	+84.22
1971	546,955,945	+107,883,363	+24.57	182	+129.49

*Density for the years 1901 to 1971 have been worked out excluding the area and population of J&K and NEFA.

1971. Table III indicates the sex ratio in the population of different states.

The shortage of females in India's population, is sought to be explained as due to a higher mortality among women due to the strain of child bearing and resultant mortality at reproductive ages, a general neglect of females children as well as of the adult females.

The only states and union territories that show an excess of females over males are Kerala (1019 females per 1000 males) and Dadra and Nagar Haveli (1007).

The detailed tabulation of the census data may give an indication of the extent to which migration has been a contributing factor in the imbalance of sexes in some of these regions. The west, south and east coastal districts as well as the group of hill districts in the north-west region of Uttar Pradesh which have constantly shown an excess of females have apparently been the contributing areas of male migrants to other regions.

Literacy

India's total population recorded an overall general literacy rate of 29.35 per cent as against 24.03 per cent recorded in 1961. The literacy rate of male population in 1971 was 39.49 and of female population 18.47 per cent, the corresponding percentages in 1961 were males: 34.45 per cent and females: 12.95 per cent. It may be noted that in working out these percentages the total population indicating the young age group of 0-4 has been taken into consideration. The age break-up of the population will be available only after detailed processing of data. Though the literacy rates in 1971 are higher than in 1961, it is obvious that there is still a large ground to cover. Still 70 per cent of the population is illiterate. The literacy among the females is appallingly low still.

TABLE II

THE STATE-WISE DISTRIBUTION AND GROWTH RATE OF POPULATION

India/State/Union Territory	Population in 1971	Area in 000 km²	Density of population per km²	Decadal growth rate of population		Growth rate of population
				1961-71	1951-61	1901-1971
1	2	3	4	5	6	7
INDIA	546,955,945	3,200*	182	24.57	21.64	129.49
States						
Andhra Pradesh	43,394,951	277	157	+20.60	+15.65	+127.60
Assam	14,857,314	100	149	+33.51	+35.06	+340.19
Bihar	56,387,296	174	324	+21.38	+19.77	+106.44
Gujarat	26,660,929	196	136	+29.21	+26.88	+193.15
Haryana	9,911,165	44	225	+31.36	+33.79	+115.68
Himchal Pradesh	3,424,332	56	62	+21.76	+17.87	+78.32
Jammu & Kashmir	4,615,176	222*	—	+29.60	+9.44	+115.73
Kerala	21,280,397	39	548	+25.89	+24.76	+232.70
Madhya Pradesh	41,449,729	444	93	+28.04	+24.17	+145.84
Maharashtra	50,295,081	308	163	+27.16	+23.60	+159.36
Mysore	29,224,046	192	152	+23.90	+21.57	+123.86
Nagaland	515,561	17	31	+39.64	+14.07	+407.69
Orissa	21,934,827	156	141	+24.99	+19.82	+112.90
Punjab	13,472,972	50	268	+21.00	+21.56	+78,57
Rajasthan	25,724,142	342	75	+27.63	+26.20	+149.89
Tamil Nadu	41,103,125	130	316	+22.01	+11.85	+113.4
Uttar Pradesh	88,299.453	294	300	+19.73	+16.66	+81.59
West Bengal	44,440.095	88	507	+27.24	+32.80	+162.34
Union Territories & Other Areas						
A &N Islands	115,090**	8.3	14	+81.11	+105.19	+366.92
Chandigarh	256,979	0.1	2,254	+114.36	+394.13	+1,069.84
Dadra & Nagar Haveli	74,165	0.5	151	+27.95	+39.56	+205.46
Delhi	4,044,338	105	3,723	+52.12	+52.44	+896.59
Goa, Daman & Diu	758,180	3.8	225	+36.78	+5.14	+68.90
L.M &A Islands	31,798	0.03	994	+31.90	+14.61	+129.04
Manipur	1,069,555	22.4	48	+37.12	+35.04	+275.99
Meghalaya	983,336	22.5	44	+32.02	+25.97	+191.81
NEFA	444,744	NA	..	+32.14	..	..
Pondicherry	471,347	0.5	982	+27.71	+16.34	+91.33
Tripura	1,556,822	10.4	149	+36.32	+78.71	+798.21

*Includes area under illegal occupation of Pakistan and China.

**Excluding Jawar and Sentinel.

TABLE III

POPULATION, SEX RATIO (FEMALE PER 1000 MALES)

India/State/Union Territory	Population 1971			Sex ratio	
	Total	Males	Females	1971	1961
1	2	3	4	5	6
INDIA	546,955,945	283,055,987	263,899,958	932	941
States					
Andhra Pradesh	43.394,951	21,944,826	21,450,125	977	981
Assam	14,857,314	7,813,565	7,043,749	901	871
Bihar	56,387,296	28,839,524	27,547,772	935	994
Gujarat	26,660,929	13,771,613	12,889,316	936	940
Haryana	9,971,165	5,317,149	4,654,016	875	868
Himachal Pradesh	3,424,332	1,735,106	1,689,226	974	938
Jammu & Kashmir	4,615,176	2,452,661	2,162,515	882	878
Kerala	21,280,397	10,538,873	10.741,524	1,019	1,022
Madhya Pradesh	41,449,729	21,352,291	20,097,438	941	953
Maharashtra	50,295,081	26,024,146	24,270,935	933	936
Mysore	29,224,046	14,910,851	14,313,195	960	959
Nagaland	515,561	275,359	240,202	872	933
Orissa	21,934,827	11,028,036	10,906,791	989	1,001
Punjab	13,47,972	7,192,305	6,280,667	873	854
Rajasthan	25,724,142	13,442,056	12,282,086	914	908
Tamil Nadu	41,103,125	20,772,549	20,330,576	979	992
Uttar Pradesh	88,299,453	46,896,648	41,402,805	883	909
West Bengal	44,440,095	23,488,244	20,951,851	892	878
Union Territories & Other Areas					
Andaman & Nicobar Islands	115,090	70,005	45.085	644	617
Chandigarh	256,979	146.888	110,091	749	652
Dadra & Nagar Haveli	74,165	36,949	37,216	1007	963
Delhi	4,044,338	2,244,290	1.800,048	802	785
Goa, Daman & Diu	857,180	431,025	426,154	989	1071
L.M &A Islands	31,798	16,062	15,736	980	1020
Manipur	1,069,555	539,101	530,454	984	1015
Meghalaya	983,336	503,351	479,985	954	953
NEFA	444,744	233,154	211,590	908	894
Pondicherry	471,347	236,850	234,497	990	1013
Tripura	1,556,822	802,509	754,313	940	932

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EASTERN 17
ECONOMIST

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Judicial vision of necessity takes into account the wisdom of the past, the experience of the present and the directions of the future. To compel it to put on the blinkers of popular reaction, actual or contrived, to litigated problems, is to denude it of all the principles it stands for.

—J. C. SHAH
Ex-Chief Justice of the Supreme Court of India

Search is on for a successor to the Cong(O) Gadi.

EASTERN ECONOMIST

APRIL 23, 1971

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A TALE OF TEN YEARS

THE CENSUS Commissioner in the country has been a kind of Recording Angel registering the sins of commission and omission of our government and our people. His decennial reports are awaited in fear and trembling and when they arrive, they are accepted with a sense of guilt. This is not surprising in a country where the growth of population has been casting a heavy shadow on the hopes of the nation for a better future.

On the present occasion, however, the provisional population total of the 1971 census has also evoked a sigh of relief, the loudest note coming from the Census Commissioner. At around 547 million in 1971, the census count is about 14 millions less than an estimate which had been projected earlier by an Expert Committee on Population. The Census Commissioner seems to believe that here is sufficient justification for discounting the prophets of Malthusian gloom. There are others who, readily agreeing with him, have drawn the inference that the family planning programme has after all been more effective than sceptics have been prepared to allow.

In the press and elsewhere the Census Commissioner and these others are being taken to task for the indiscretion of whistling before one is out of the woods. It has been pointed out in this connection that the population has grown at the rate of roughly 24.5 per cent over the past decade as against roughly 21.5 per cent in the preceding decennium. This demographic graph, as *The Statesman* has described it, is thus a climbing curve and not merely a straight line, however steep the gradient. At this rate, the growth of population, projected even if only in linear terms, would be crowding our country with more than 800 million people by the time the year 2000 A.D. is rung in. Seen in any relevant perspective of time, the implications of the 1971 census are thus far from reassuring indeed.

The pessimists nevertheless could be over-grovelling in their misery. The critical issue is whether the nation is capable, through family planning, of controlling the pressure of population. It is well to remember here that, as a national movement attempting to spread wide enough and deep enough, this campaign has been operating only for the last four years of the decade covered by the 1971 census. This period is clearly too short for the basic trend towards an accelerating increase in population to be arrested. Then, again, there is the fact that the coverage and impact of the family planning campaign has been varying sharply from state to state and even among different areas in the same state. A fair evaluation of the performance of this campaign is therefore possible only when it is studied in its local particulars and is related to the regions where the campaign has been reasonably sufficient.

Considered in this manner, it would be irresponsible to dismiss the family planning movement as having been of little account in population control. On the contrary, the census figures relating, for instance, to Punjab have provided reassuring evidence that, where sufficient motivation has been created, people have responded to an extent which has materially influenced the trend of population growth. It follows that what needs most to be done in the years that lie immediately ahead is to jostle the laggard states and build up their performances to levels closer to those achieved by the more progressive areas. This country after all is one of the few countries in the world which can take credit for adopting a national family planning movement as a policy and programme of government. This has surely given our national population control effort a big advantage and it is for the Ministry of Health and Family Planning to build more and more on this. The census figures for 1971 in other words should not be allowed to dampen our faith in the family planning movement in our country but should on the contrary be accepted as an additional stimulus to more hope and resources being invested in the effort.

When the census figures are finally documented in detail they will no doubt help us to spell out in what other directions the nation will have to intensify its exertions at promoting the welfare of the people. The rate of growth of population revealed by the 1971 census suggests, for instance, that the rate of growth of literacy should be stepped up. In the same manner, the rate at which new employment opportunities are created would need to be speeded up. The nation consequently has to raise its sights where targets of economic growth or targets of saving or investment, which would make that growth possible, are concerned. The continuing progress of the Green Revolution in quality and coverage will certainly be of the greatest importance. Equally significant would be the success scored by the national economy in providing gainful employment to more and more people in industry, trade and the services and at the same time investing more and more capital per unit of labour employed. It would plainly be profitable for us to try to think on these lines than let ourselves be reduced to helplessness by the nightmare of an India bursting at the seams in the year 2000 A.D.

Nationalised Banks' Problems

WHETHER ONE likes it or not, one cannot afford to ignore the fact that all the leading commercial banks in the country have been fully and truly nationalised. So, one must perforce reconcile oneself to living with the reality, and living with the reality means that one must closely watch the working of the nationalised banks and make such suggestions from time to time as the developing situation demands. This is precisely what Mr B.N. Adarkar, former Governor of the Reserve Bank of India, did when he recently addressed the Forum of Free Enterprise on "Commercial Banks in India after Nationalisation".

Mr Adarkar, however, we must hasten to add, is not among those who have been either opposed to, or critical of nationalisation of banks even individually, his official capacity apart. And yet, it is noteworthy, he did not hesitate to indicate the limitations, even as he did not fail to commend the good work of nationalised banks Coming from an economist with vast and varied experience not only as a banker (a practical banker at that now) but also as an able administrator, his views deserve careful notice by bankers, and students of banking as well as by the authorities. The views given expression to by Mr Adarkar, moreover, are not those of any mouthpiece of vested interests but of one who took active interest in laying down guidelines to nationalised banks and one who has also had to watch these in actual operation until recently.

Although Mr Adarkar holds that, structurally, the banking system in India has gained distinctly in strength and cohesion after nationalisation, he is quite alive to the need to strengthen even this structure if commercial banks have to contend with all the responsibilities they are now called upon to assume. Hence his particular stress on training and orientation.

According to Mr Adarkar, the current rate of branch expansion can be maintained without risk to the banking system only if adequate arrangements exist for training and orientation of branch managers, for proper choice of locations, for inspection of branches at suitably short intervals and for head office co-ordination and control. He has, therefore, urged the authorities to see that branch expansion programmes are accompanied by concurrent action to strengthen the internal organisation of banks, especially where this is found to be weak, and to fix branch expansion targets only after a careful examination of the personnel and other resources available to individual banks to manage a growing network of branches. How true is his observation that "targets have their value as a means of pulling a system out of a rut and giving it a push, but thereafter, performance should be judged more by quality than speed". This is a sound counsel indeed and calls for consolidation of the gains achieved so far rather than for rushing ahead headlong.

There seems to be a feeling in certain circles that all that one has to do to get more deposits is to see that banks go on opening more and more branches. A little reflection, however, will convince anyone that this is not so; nor it is enough merely to augment deposits at any cost. Furthermore, there is a point beyond which deposits cannot simply be increased, although the economy may need a much higher rate of deposit mobilisaion. True, as Mr Adarkar has noted, commercial banks can be reasonably proud of their record in the matter of deposit mobilisation over the last few years. But the rate of deposit growth, to quote him, "is partly a reflection of the rate of saving" and it is common knowledge that the rate of saving in our country has failed to keep pace with the demand for bank credit. Beyond a certain limit, it is needless to add, bank credit by itself cannot fill the gap between genuine savings, on the one hand, and the investment need, on the other. "A shortage of bank credit is unavoidable in an economy suffering from a shortage of savings".

To an economist this is axiomatic, but the public, even the borrowing public in India, needs to be educated on the seemingly simple thesis that, if there is a shortage of bank credit (*i.e.* of real resources), a cut in credit facilities is unavoidable even for genuine production purposes. But where do we proceed from this point?

The obvious answer is that we must practise the utmost economy of credit and accept a measure of discipline in regard to payment of dues. But the question is whether such should apply to all sectors or not. Here, we are afraid, Mr Adarkar seems to suggest that it is the commercial and industrial borrowers alone that should do so and not the others, although he has not said so in so many words. While he has asked commercial and industrial borrowers to exercise all the restraint and accept all the discipline, he has opined that there is scope for liberalising the Reserve Bank's present refinance facilities to take care of the increased demand for credit for food procurement (this responsibility has since been shifted from the State Bank of India to nationalised banks) and priority sectors even where the concerned individual banks are not able to attain deposit targets commensurate with the increase in the demand for credit. This should strengthen

Eastern Economist 25 Years Ago

APRIL 26, 1946

Keynes of the post-depression period was decided improvement on the polemical writer of the Economic Consequences of Mr Churchill. The sharp edges of controversy had worn off. He was an accepted master no longer regarded as a personal enemy of the politicians in power or the bullion dealers of international markets. The gold standard was dead beyond any chance of revival. The problem no longer was how to avoid a depression, but how to recover and how to maintain the recovery, when achieved. Keynes came to the rescue of humanity and devised those simple and commonsense Means to Prosperity by which a community could make its recovery and maintain the whole of its economy in a perpetual state of quasi-boom. The impact of his theories was first felt across the Atlantic in the New Deal policies of President Roosevelt. Keynes surely did not approve of all of Roosevelt's economic policies, particularly the policy of restriction on the agricultural front. But surely Keynes is the spiritual father of the new American creed of expansionism. Even the crude monetary policies of the first Roosevelt administration were borrowed from Keynes' earlier writings, when he had not yet developed a complete or consistent economic theory. He was then just engaged in giving conceptual and organizational shape and form to what he called the 'Immaterial devices of the mind' by which a society, if so minded, could with social controls in a predominantly private enterprise economy maintain continuously a high state of well-being, progress and harmony. This dream he fulfilled in his General Theory, obviously the very best and most refreshing of his works. But that is not all. It is by common consent one of the most remarkable exhibitions of the highest constructive talents of the human mind.

the hands of the monetary authorities who are already credited with being aware of the need for such "controlled liberalisation". Evidently, controlled liberalisation signifies controls of credit to one sector and liberalisation thereof to another. Eventually, controlled liberalisation cannot but have repercussions on the availability of credit to non-priority sectors, even some genuinely productive and economically deficient private sector borrowers.

However, there is some consolation to commercial and industrial borrowers in another suggestion of Mr Adarkar where he says: "Credit restraint and credit planning must go hand in hand in order that the limited credit facilities may be rationally allocated among the different sectors of the economy." We have lately been hearing a lot about credit planning, a task that one thought the National C edit Council had been entrusted with, though nothing came out of it. The National Credit Council has since had an unceremonious burial. But that is no reason why another body, whether bearing the same name or a different one, should not be created. Only the new body should not be packed merely with persons representing particular sections of credit users, although these must be fully represented on the boards of directors of all nationalised banks; rather, it should be composed of individuals known for their knowledge, expertise and experience in the sophisticated field of credit planning. Otherwise, as Mr Adarkar has said, the council will become "only a forum for ventilating grievances or settling conflicting claims."

After bank nationalisation, as in any scheme of public management, whether desirable or not, some measure of official guidance is to be expected, but, as Mr Adarkar has pointed out, it is equally important to ensure that, in spite of such guidance, the boards of directors are made fully accountable for the final results as in any successfully run public corporation. (Is it not the STC chief, Mr Prakash Tandon's understandingly proud claim that he has introduced accountability to the public?) The erstwhile governor of the Reserve Bank has also cautioned that the principle of accountability of the board should not be stretched too far so as to leave it free to adopt policies of its own choice, subject only to their being judged by the end results, losses or profits. His prescription to ensure the desired degree of accountability is that "official guidance should be provided in such form and manner that the board is able to account for the results, and Parliament and the public are able to assess them in terms of factors within the board's control and those outside its control". It is certainly worthwhile making an attempt to specify matters considered suitable for official guidance on these lines, but there is no use overlooking the fact that no one can make a complete catalogue of such points.

While on the subject of accountability, we must refer to one other very pertinent point made by Mr Adarkar. Despite the fact that he does not subscribe to the view of those who regard that "banks cannot earn a reasonable return on capital if they carry on their operations with due regard to their social obligations," he is for devising a management and accounting system whereby uneconomic operations undertaken on grounds of public policy are separately accounted for and banks' performance is judged by the rate of return earned by them on their normal operations. In other words, although he is not averse to banks accepting social objectives, he is particular that such should not be made an excuse for a lower return on capital. He is for the banks combining social objectives with a high standard of management. All these call for a high sense of responsibility on the part of everyone—directors and executives, as well as clients—if the viability of the institution, which is what really matters, is to be secured and safeguarded.

Central Budget and Export Promotion

IN HIS interim budget, Mr Y.B. Chavan, the union Finance Minister, stressed the need to seize every worthwhile opportunity for increasing exports in view of the uncertain outlook for foreign aid and the substantial increase in import licences that had been issued for the maintenance of the economy, the full impact of which was yet to be felt. The Finance Minister made it clear that there was no room for complacency in regard to our balance of payments, although there had been an overall improvement in the foreign exchange position during the last two or three years. He also called for greater efforts on a wide front to achieve the annual target of seven per cent growth in exports.

But the realisation of this target will depend largely on the kind of budget that Mr Chavan is going to present to Parliament in May. If the budget is truly production-oriented, it will help promotion of exports by creating adequate surpluses. The official efforts to meet the shortages of raw materials felt by the export industries have been intensified in recent months. But, at the same time, it is important to improve the climate for capital formation so that industries can undertake large-scale expansion and new industries which can cater for export markets can also come into existence.

Besides, the Finance Minister should try to remove the export duties altogether in order to give a strong impetus to exports. The explanatory memorandum of the budget estimates the net revenue from export duties in 1971-72 at Rs 58.79 crores, compared to Rs 56.65 crores revised estimate for 1970-71 and Rs 75.57 crores in 1969-70. Export duties are levied on about 15 commodities, the more important of them being jute manufactures, deoiled groundnut meal, unmanufactured tobacco, hides and skins, mica, manganese ore, lumpy iron ore, and others. The biggest yield from export duties comes from jute manufactures, estimated at Rs 12 crores for 1971-72, compared with Rs 18.39 crores in 1969-70. The explanatory memorandum says that the effect of export duties on the country's trade is kept under constant review and that the export duty leviable on each item of export takes into account, inter alia, factors like home production and the likely exportable surpluses, demand for products abroad, prices in international market and devaluation of foreign currencies. But the official review on export duties has been far from satisfactory.

Often, the reduction of export duties has not been adequate to strengthen the competitive position of the commodities concerned. Sometimes, the reduction comes too late to enable the industry to take advantage of it. In any case, the continuation of export duties is inconsistent with the objectives of export promotion. Spokesmen of the export industries have often pointed out that the export duties create a great deal of uncertainty among the businessmen here and the importers abroad. In fact, it has also been pointed out that the importers in the United States resent the levy of export duties especially on jute goods.

The All-India Shipper's Council has complained that the export duty is being calculated on the gross f.o.b. value even without deducting the commission to be paid to the foreign agents. It has suggested that export duty should be

calculated on the net fob value after deducting the commission due to the agents. It has also stated that the customs authorities demand in advance the insurance company's receipt for the premiums paid just to calculate the export duty. But it has not been practicable to submit such receipts in advance. The exporters of other commodities also have pointed out various anomalies and inequities in the levy of export duty. For example, in the case of manganese ore, the Minerals and Metals Trading Corporation charges an export duty of Rs 12.50 per tonne. Any future fluctuation in the rate of export duty has to be to the MMTC's account. This means that a private exporter will not get the benefit of a reduction in the export duty. The trade has suggested that whenever there is a reduction in the export duty, its benefit should go to the party which has brought the contract, which is responsible for the procurement and supply, and which bears all the risk. If the Finance Minister cannot abolish the export duties, he should see to it that the rates are lowered wherever necessary and the collections are made in such a way as not to cause any dislocation or disadvantage to the exporters.

The Government of India has increased the allocation for the Market Development Fund from Rs 41.80 crores in 1970-71 (revised) to Rs 45.91crores in 1971-72. This fund was created in 1963 for financing the expenditure on grants for export promotion and market development. The larger provision for 1971-72 is said to be due to the anticipated increase in cash assistance on account of increased exports, reimbursement of losses to the Minerals and Metals Trading Corporation on account of manganese ore and iron ore, reimbursement of customs duties to Hindustan Steel on the value of steel imported for the manufacture of engineering items for exports, and the larger provision for grants to the export promotion councils. But it is not known how much of the money earmarked for the Market Development Fund is for actual export promotion and how much is for reimbursement of losses incurred by the state trading agencies.

It is important to ensure that the funds allotted to the Market Development Fund are used, as far as possible, for strengthening the hold of Indian commodities in the traditional markets and for developing new markets. The review committee, now examining the work of the export promotion councils, should study to what extent these councils have utilised the assistance from the Market Development Fund for diversification of our exports. The facilities available to the exporters under the market development scheme need wider publicity and the procedure for getting this assistance also has to be simplified so that more exporters can avail themselves of it.

The government has also set apart more funds for commercial intelligence and foreign trade organisations, the amount being Rs 4,90 lakhs in 1971-72, compared to Rs 3,35 lakhs (budget) and Rs 4,08 lakhs (revised) in 1970-71. The lack of timely and adequate commercial intelligence continues to be felt acutely by exporters, expecially from the countries of east Europe, Africa and south-east Asia. The Government of India should, therefore, ensure that the allocation of larger funds is effectively used not merely for the collection of commercial intelligence but also for its prompt dissemination in our country.

LIC : Pluses and Minuses

ANYONE IN the position of the Chairman of the Life Insurance Corporation (LIC) today has a legitimate right, and a good reason too, to expect a hearty pat on the back. Last year, addressing newsmen, Mr T.A. Pai, the LIC chief, had forecast a rise of Rs 250 crores in new business (which itself was considered ambitious) for 1970-71. In the event, however, as he disclosed at a press conference in Bombay a few days ago, the increase in new business for this year has actually turned out to be Rs 267 crores, that is Rs 17 crores more than his own earlier ambitious forecast. Thus, the total new business in 1970-71 was Rs 1,303 crores, as against Rs 1,036 crores in 1969-70. This increase of Rs 267 crores compares with an increase of only Rs 106 crores in 1969-70 and much less, *i.e.* Rs 85 crores, in 1968-69. Percentagewise, the increase in 1970-71 over the previous year works out to nearly 26 per cent—25.8 per cent to be exact—and compares with an annual variation over the previous five years ranging from minus 3.4 per cent to plus 13.8 per cent. The total number of policies issued also increased by 15.8 per cent, having risen by 2 21 lakh policies from 14.01 lakh policies in 1969-70 to 16.22 lakh policies in the latest year. For the first time, it may be noted, the total number of policies crossed the 15-lakh mark; during the previous four years, this number had been more or less static at below 15 lakhs, varying between 14.01 lakh and 14.54 lakh policies only.

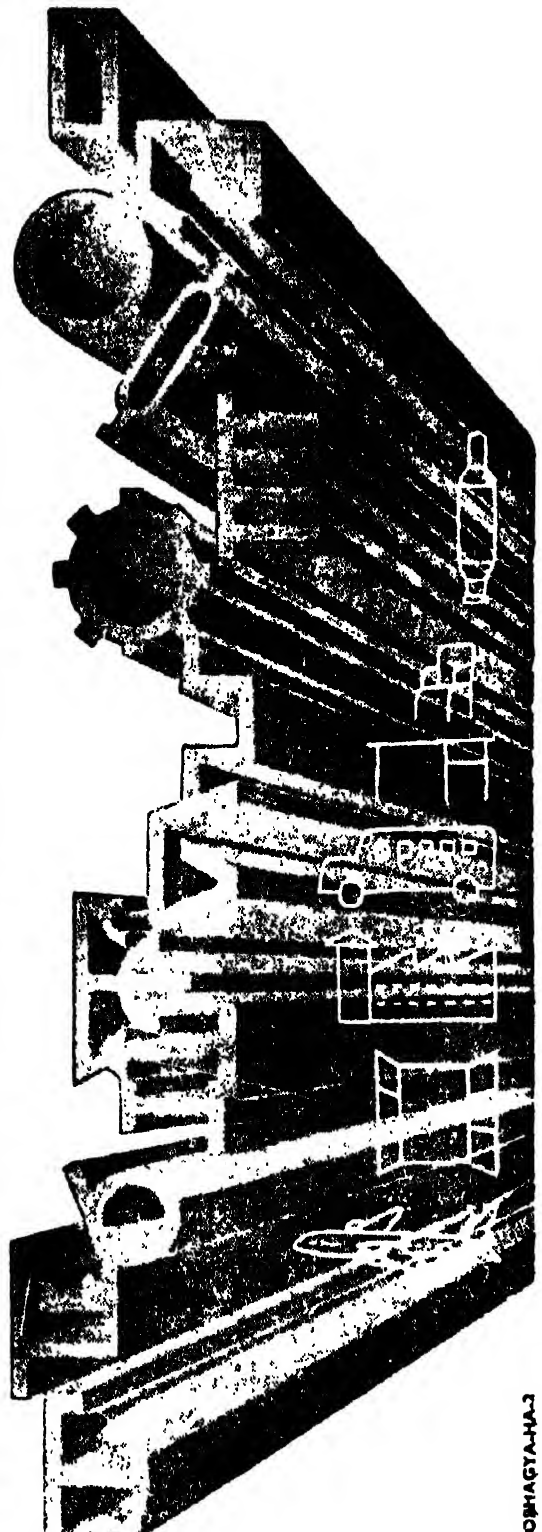
The 1970-71 results ought to be a clear pointer to the potentialities [No wonder Mr Pai is credited with aiming at a total new business of Rs 1,750 crores in the current year (1971-72!] of life insurance in our country. Both our savings and insurance are still woefully inadequate. It is ironical (though it is no surprise to us) that, despite this spectacular rise in new business — in fact, the 1970-71 figure represented the maximum rise recorded since its inception — the Life Insurance Corporation chief should studiously continue to avoid making any reference to the prospect of either a reduction in rates of premium generally or a rise in bonus rates to with-profit policy-holders in particular. On the other hand, he has gone on record as saying that, even if it adds to the pressure on the LIC's expenses, it is its mission to spread insurance, and "we will extend cover to the small man". While no one can object to this laudable mission, the policyholder at least has a right to expect the LIC to pass on a modicum of the benefit of higher business to him. But this, it seems, would be possible if the LIC is able either to exercise a tighter grip over its expenses or to so deploy its staff as to achieve better productivity than now. In spite of all that was said about agents' performances at the press conference—for the first time, Mr Pai dwelt at some length on individual performances and named the agents responsible for completing the highest new business in the different divisions (e.g. Mr Dushyant Chandulal Shah of Bombay division with his completed new business of Rs 2.08 crores and Mr Hirabhai S. Shah of Ahmedabad division with his sale of 1,502 policies, or an average of more than four polcies per day)—the feeling continues to persist in the minds of discriminating sections of the public that administratively much still remains to be done by way of prompt, helpful and efficient servicing inside the office. Thanks to the monopolitic position of the LIC and the cumulative bargaining strength of its staff (as of any staff in a monolithic organisation), norms of work established today are so low as to make old employees in leading private life insurance companies as "Oriental Life" rub their eyes in utter amazement. According to a recently retired officer of the LIC with over three decades' experience in "Oriental Life", the *per captia* quantum of work turned out in the past used to be at least three to four times of what is being done by today's employees and that too grudgingly!

Be that as it may, according to the report of the ARC Working Group on LIC, there are about 24 million families

(*i.e.* 30 per cent of the population—1961 census) with good income and saving capacities, especially in rural areas lately, who could be persuaded to take life insurance policies. As yet, only one-third of the LIC's total business is believed to be from non-urban areas. The Taleyarkhan Committee on Small Savings has estimated that only some 20 per cent of the total annual net collections come from rural areas. It is just as well, therefore, that the LIC's thoughts presently seem to be rurally oriented. All are agreed that there is increased purchasing power in rural areas, in some of them most certainly. But neither our nationalised banks nor our Life Insurance Corporation has hit upon schemes as would appeal to and attract the farmer to siphon off this extra purchasing power. Even if the urban white-collared worker is aware that from his life insurance policy he does not get anything more than what he pays in the form of premia if he lives long enough, he goes in for a life policy more as a compulsory saving rather than as an investment. But the farmer, who is relatively more prudent, may not take the same view although he may pay even exorbitant rates of interest on his loans at times. What is important for him is that he must have money when he needs it most, to bring seeds, bullocks or fertilizer, and he has also to reckon with the failure of his crop, partial or total, depending on weather and water conditions. Another problem of his, especially when bumper harvests come in as since the green revolution, is storage space. So any approach to the farmer by the LIC has to take all these factors into consideration and evolve a policy that can cater for these needs of his. Mr Pai's suggestion of a remission in land revenue as a bait is certainly worth trying, provided, however, that states do not follow the Punjab in doing away with land revenue altogether. Perhaps provision of storage facilities linked to life insurance and bank credit as a package deal, with the LIC, the nationalised banks and the Warehousing Corporation all agreeing to participate in designing it, might be an effective answer.

No sector has benefited more from the LIC's operations than governments and semi-government bodies. Of course, all this is described grandiloquently as the socio-economic role of the LIC's investments. Incidentally, the LIC's investments in 1970-71 at Rs 268 crores exceeded the increase in its new business for that year. In 1970-71 the LIC gave loans to the central and state governments of over Rs 86 crores and Rs 41.5 crores (Rs 64.03 crores and Rs 30.23 crores in 1969-70), respectively; to municipalities and *zilla parishads* (for water supply and sewage schemes) nearly Rs 11 crores (Rs 5.5 crores in 1969-70), and to state electricity boards Rs 48 crores (Rs 32.50 crores in 1969-70) in addition to purchasing their bonds to the extent of Rs 20 crores (same level as in the previous year).

Perhaps the one field where the policyholder, as much as the public generally, can hope to get the utmost benefit from the LIC is housing. And to ensure this, Mr Pai has been boldly deviating from old practices in regard to extending accommodation for housing, and his schemes have aroused great hopes as much in government circles as among middle class people. But it is not enough if only the chairman departs from old practices; all his staff also must follow him and, here, unfortunately, our information from buthentic official sources and interested individuals is that old official (or is it bureaucratic?) habits tend to take too long to discard. Not until this complaint is redressed can the LIC claim to be the people's companion in their progress, much less a saviour in their distress.



Bank Credit and Employment

R.V. MURTHY

THE GUIDELINES governing the special credit schemes of commercial banks with particular reference to their employment potential, circulated to all commercial banks by the Reserve Bank a few days ago, are based on the Thakkar Committee Report. This committee was constituted by the Reserve Bank on a suggestion made by the union Finance Minister, Mr Y. B. Chavan, to the custodians of the public sector banks in July last, to review the working of these special credit schemes. That such a review was called for has also been noted by the Thakkar Committee, which, in fact, holds the absence of an adequate system of reviewing the working of these schemes as being one of the basic reasons responsible for the schemes not producing greater results. It is needless, therefore, to labour the point that, as yet, the special credit schemes have hardly yielded the results expected of them. "The assistance thus far rendered by the commercial banks", to quote the Thakkar Committee report itself, "has been mainly confined to small-scale industrial units and retail trade, and not so much to other self-employed categories, such as transport operators (advances to road transport operators went up from Rs seven crores—to 2,527 parties—in June, 1969 to Rs 34 crores—to 17,535 parties—in October, 1970), technocrats and other professionals. Nor have they entered financing household and cottage industries to any appreciable extent. Even the limited assistance so far rendered by banks has not been properly distributed among the various regions of the country."

Organisational Deficiencies

This outcome is not only because of a number of inadequacies in respect of these schemes—the Thakkar Committee has listed as many as 14—but also the deficiencies—nine of these also have been specified—in the organisational and administrative set-up of most banks. The committee deserves credit for the thorough-going job it has done in this behalf, and that in a very short time too. Once the inadequacies and the deficieneics of the schemes were spotted, it was no great problem for the committee to lay down the guidelines for action. Here, again, particular mention must be made of the meticulous care with which the committee has spelt out the guidelines in all detail.

There is bound to be complete agreement with the committee's finding that considerable scope exists for rationalising the special credit schemes of commercial banks in order to make them more effective and purposeful. Who will deny, for example, that there is ample scope for making the terms and conditons of these schemes as soft as possible, as the committee has urged? (How such could be done has been clearly and specifically indicated in the committee's report). The elimination of the guarantee of third parties and the simplification of application forms for loans (also to be made available in all local languages) will also be welcomed.

Welcome Recommendation

What will be even more welcome is the committee's recommendation that self-employed borrowers should be helped on a *continuing* basis, instead of an *ad hoc* basis and far more comprehensively and systematically than at present. The committee's suggestions for the setting up of a multi-services agency functioning at various levels and exercising control over the branch units as independent entities and for the provision of "equipment leasing", a facility that obtains in some advanced countries, are among the more notable of the guidelines.

If all the suggestions made by the committee are implemented at the branch level with an adequate degree of flexibility (decentralisation and flexibility, by the way, are the two "musts" that have been stressed throughout the report), commercial banks would become more involved than now in financing the professional and self-employed categories and thereby helping employment generation. After all, unless a self-employed person is enabled to and does make a success of his venture, not only will he continue to remain unemployed, he will also not be able to provide employment to others. The credit schemes of our banks, special or otherwise, must particularly make it a point, therefore, to extend assistance on both a continuing and a comprehensive basis. With the experience gained in respect of such assistance to some selected parties, to begin with, they (commercial banks) should soon be able to extend and expand their operations with more confidence and to greater purpose. Of course this would also depend on their own initiative and innovative capacity to take advantage of techno-economic surveys by the different financial institutions (as also the Lead Banks) and formulate new schemes for promoting the generation of employment. The Syndicate Bank and the Canara Bank, not to speak of the State Bank of India, have, so to say, blazed the trail in this behalf. The coming into force of the Credit Guarantee Corporation's scheme of comprehensive credit insurance from April 1, 1971, which offers a guarantee cover to banks, should prove handy to them, although, as the Reserve Bank has rightly warned the banks, the availability of the cover should not be allowed to lead to any dilution of standards on their part either in appraising loan proposals or in restricting their assistance merely to the classes of borrowers or to the extent of amounts covered by the guarantee. At the same time, the Reserve Bank is keen that the schemes, assisted should be essentially need-based and economically viable.

After careful perusal of the findings of the Thakkar Committee report, it seems that, while commercial banks are sure to get more involved in assisting self-employed people and developing the backward areas after implementing the committee's recommedations, they may not be able to generate fresh employment opportunities to any remarkable extent. They will certainly not be able to create about three million direct jobs over the next five years, as the committee has estimated, even if every existing branch of commercial banks manages to entertain (which, again, is doubtful) about 50 proposals for asssistance from the unemployed.

Economic Viability

This is because both the committee and the RBI have rightly emphasised the need for help on a continuing and comprehensive basis, which means that the number of parties assisted will be necessarily few. Similarly, the understandable stress on economic viability means that all and sundry will not get assistance. Thirdly, inasmuch as banks have been repeatedly told that, "in the ultimate anslysis, the source of funds for their credit operations (of which financing the additional requirements of the different categories of self-employed should be a part) is the deposits mobilised by them", the extent to which they are able to mobilise deposits sets the absolute, if not the outside, limit. Now, deposits of all commercial banks have no doubt increased over the past three years and the annual rate of increase has also gone up from 12.1.

per cent for 1968 to 16.2 per cent for 1970. But, "the rate of deposit growth is partly a reflection of the rate of saving and, beyond a certain limit, bank credit cannot fill the gap between genuine savings, on the one hand, and the investment needs on the other, a shortage of bank credit is unaviodable", as Mr B. N. Adarkar, former Governor of the Reserve Bank of India, observed in the course of his (A.D. Shroff Memorial) lecture on "Commercial Banks of India after Nationalisation" recently, in Bombay. According to Mr Adarkar, owing to an overall shortage of real resources, a cut in credit facilities is unavoidable even for genuine production purposes in some sectors. In view of this, without being dubbed as Jeremiahs, we cannot but sound a note of caution to the lay public not to lay too much store by any large-scale addition to the country's employment potential in the wake of the Reserve Bank's guidelines to commercial banks. But this is not to minimise either the relevant or the realism of these guidelines.

Central Assistance and State Plans

SAGITTARIUS

When presenting the interim budget for 1971-72, the Chief Minister of Tamil Nadu, Mr M. Karunanidhi, was highly critical of the policy of the central government in allocating resources to states by way of grants and loans as, according to him, the state govenments are seriously handicapped in the implementation of their Plan schemes because of unexpected increases in non-Plan expenditure. It had been expected, however, that the budgetary position of Tamil Nadu would have made even worse showing than presented in the estimates for 1971-72 because there was a big increase in the salary bill alone of the order of Rs 21 crores on account of the complete acceptance of the the recommendations of the Second Pay Commission. The revenue deficit, however, will not be more than Rs 10.96 crores, against Rs 7.83 crores in the revised estimates for 1970-71, while the overall deficit will be Rs 12.31 crores, against Rs 29.62 crores, resulting in a closing minus cash balance of Rs 35.54 crores at the end of 1971-72, against the opening minus cash balance of Rs 23.23 crores. The containing of the revenue deficit to the figure indicated in spite of a big increase in expenditure to Rs 349.69 crores from Rs 320.43 crores in the revised estimates for 1970-71 is due to an improvement in revenue receipts to Rs 338.63 crores from Rs 312.60 crores. Apart from a larger transfer of revenues from the centre, the state's tax revenues also are expected to be higher because of the new proposals of last year and a generally higher level of activity in the region.

While it may be expected that there will be fresh help from the centre as a result of the new budget proposals that may be made by Mr Chavan when he formulates his regular budget for 1971-72 and the deficit on revenue account may be substantially reduced, if not eliminated, the constraint on resources is preventing ambitious implementation of Plan schemes and the outlay for this purpose will be only Rs 91.13 crores, against the outlay of Rs 100 crores desired by the government. Even now, the size of the fourth Plan has not been finalised because of the dispute between the state government and the Planning Commission about what should be the quantum of central assistance. The state is in a position to spend on a much larger scale for productive purposes as power projects alone are accounting for Rs 39.51 crores. Out of this allocation, the share of rural electrification schemes will be Rs 21.50 crores and of power generation Rs 9.39 crores. It is proposed to electrify 9,000 villages and energise 60,000 pumpsets. While the electrification of villages may be substantially completed by the end of 1972, the scheme of energisation of pumpsets will have to be continued vigorously for several years at the same level.

These developments, by themselves, create an additional demand for power and on present indications the gap between demand and supply may be bigger than now estimated. It will, therefore, be necessary to spend larger amounts for creating generating capacity and the dependence on outside sources has to be reduced if the difficulties that may arise as a result of the dimunation of the exportable surplus of Mysore are to be avoided. Even now the State Electricity Board is purchasing as much as five million units daily from Mysore and Kerala and consumption has exceeded the most optimistic expectations. With agricultural operations accounting for a larger share of additional consumption and a higher level of industrial activity, power consumption may rise by more than six per cent annually. The electricity board is of the opinion that there should be perspective planning for power generation and distribution as by 2000 the installed generating capacity will have to be more than 12,700 MW. Some irrigation projects also have to be implemented besides development of roads, completion of the Veeranam water supply schemes and other vital projects.

The state is, therefore, justified in asking for additional assistance especially as a good effort has been made for raising additional resources through taxation. But the question is whether a wrong approach had been adopted in the determination of assistance for Tamil Nadu by the fifth Finance Commission. It may also be that the data presented in the budget relating to the heavy repayment obligations have been presented in a way which exaggerate to some extent the difficulties experienced by the state government. Actually it has been pointed out by the Chief Minister that the overall deficit of Rs 12.31 crores will be much higher if the central government does not agree to a rescheduling of debt repayments on the basis assumed in the budget.

Debt Commission

There is no doubt that a federal debt commission should be appointed to go into the problem of rescheduling of debt repayment and find out how the loans have been applied and what is the return secured on fresh investment. There are many projects which have long gestation periods while developmental expenditure has been incurred in some directions which is not quite remunerative. The centre may be agreeable to the rescheduling of debt repayments where peculiar difficulties are encountered. But what is more important is the determination of the actual return on fresh investment and whether at all the states would be able to meet the interest charges on the loans concerned with incomes from the projects, not to speak of being in a position to amortise also the loans over a period. It is necessary to obtain a clear picture in this regard, as the difficulties of Tamil Nadu are not peculiar. It may, in fact, be argued that Tamil Nadu is in a much better position than many other states and any preferential treatment to the former might handicap other states if there is no augmentation of the pool of available resources.

The state government, however, is on strong ground where it has pointed out that there should be no reduction in the quantum of central assistance for Plan schemes. This naturally has an upsetting effect on the availability of resources for Plan purposes. In the fourth Plan for 1966-71, central assistance was

finalised at Rs 250 crores, but for 1969-74 it will be only Rs 202 crores.

The centre also will be in difficulty in regard to the implementation of its own schemes as its fairly comfortable ways and means position at the present moment is due mainly to a shortfall in Plan expenditure for two years in succession. If as a result of the new proposals and arrangements, central government departments could utilise larger allocations for Plan purposes, a conflict in interests between the centre and states will arise. There will necessarily have to be adjustments on both sides as the expenditure can be increased at the centre and state levels only with a buoyancy of revenues, larger receipts through open market loans, intensified collection of small savings and a vigorous growth of bank deposits. It is no use adopting stiff postures when an overall view has to be taken.

Paper Famine: How to Avoid It?

S. RAMAKRISHNA & P. VIJAYALAKSHMI

THE OPINION is gaining strength in the country that we are going to face in the near future paper famine if adequate steps are not taken immediately to step up production. This is the situation presently in spite of the fact that the paper industry has increased its production by more than 500 per cent during the last 20 years. With only 17 paper and paper board mills having an installed capacity of 1.37 lakh tonnes at the beginning of the first five-year Plan, the industry has made rapid strides and now it comprises 58 mills with an installed capacity of 7.68 lakh tonnes. The production increased from 1.14 lakh tonnes in 1950-51 to 7.06 lakh tonnes by 1969.

At present, the demand for paper is estimated at 7.5 lakh tonnes, whereas the production is only around seven lakh tonnes. It is feared that the gap would be widened further in the future. However, this does not seem to be peculiar to India alone and the shortfalls in the production of paper seem to be a world-wide phenomenon. India cannot depend continuously on imports for bridging the gap between internal demand and supply as it would cost considerable amount of foreign exchange.

Need for Additional Capacity

By the end of the fourth five-year Plan our requirements of paper and paper board, as envisaged by the Planning Commission, will be of the order of 9.6 lakh tonnes, including 60,000 tonnes to be earmarked for export. Thus there is need for creating an additional capacity of about four lakh tonnes. Advance planning not only for meeting the fourth Plan requirements but of the fifth Plan period is necessary. This is because of the fact that the gestation period of a paper producing unit is about five years.

In the fourth Plan, public sector has been assigned a big role in so far as the expansion of the paper industry is concerned. It is envisaged that a 60,000 tonnes newsprint mill and two or three paper mills in regions where raw materials are available locally should be set up. With this end in view, the central government recently set up Hindustan Paper Corporation, a public sector undertaking, for taking up new projects for the expansion and development of paper industry. It is however doubtful that a mere change in the ownership will help obviate the difficulties which hinder the expansion of the industry vertically or horizontally.

Enormous Demand

Even though our paper industry in the past made its impact on the industrial map of the country, the rapid increase in population and education of the people have raised the demand for paper enormously. The demand for all kinds of paper in course of time has increased faster than the internal production of paper.

Moreover, the rate of return on investment in the industry has not encouraged any new investment over the past few years. The average return on capital invested in the paper industry is estimated at about seven per cent only, whereas the national average for all the industries is put at 11 per cent. This explains why no entrepreneur is coming forward to invest his funds in the paper industry, in spite of the fact that the industry is a delicensed one.

Another factor which discourages further investment in the paper industry is the very nature of the industry. The paper industry, being highly capital intensive with a long gestation period has failed to attract private capital. The new entrepreneurs are finding it extremely difficult to raise funds for their business in view of the soaring capital costs and the equity-debt ratio followed by the financial institutions for lending purposes remains at the maximum of 1:2 only.

So far, no concrete steps have been taken for a systematic long-term policy as regards the paper industry. The planning for paper should be on a long-term basis. This is essential in view of the long gestation period of the industry.

The Forest Pre-investment Survey that is being conducted by the Government of India is expected to throw some light on the type of raw materials available within the country and their suitability for paper manufacture. The purpose of the survey is to assist the Government of India in the development of our forest resources and associated forest industries to increase production of wood in order to fill up the growing gap between supply and demand, especialy in the field of paper and pulp.

Complex Problem

The problem of finding suitable raw material in quantity for pulping is a complex one. What is more important is the economics of extraction and delivery at the mill site than the mere availability of raw materials as such. The planning for bamboo and other raw materials needed for the paper industry should be based on a long-term perspective. Simultaneously, every effort must be made to tap the untapped resources of bamboo in states like Madhya Pradesh, Orissa, Mysore, Assam, Nagaland, Manipur and Tripura. So far, these resources could not be tapped fully, partly due to the inaccessibility of the forest areas and partly due to the high cost of operations involved.

In India plantations are expensive and the capital and land needed for them are in short supply. The exploitation of bamboo resources is reaching the saturation point, except in certain areas. Moreover, there are no reliable data available as regards forest statistics. The preparation on a continuing basis of an inventory of forest raw materials should go a long way in helping the paper industry to plan for the future.

For achieving greater results and to ensure better co-ordination among the state governments in the implementation of their various forest programmes, a competent agency must be developed for tendering guidance.

In the short term, the efforts of the industry as well as of the government need to be directed towards the following.

(i) **Raw Material**: Till today the conventional cellulosic bamboo has

remained the main raw material for the paper industry. In view of the apparent depletion of bamboo resources in the country, every effort should be made to find suitable substitutes. It is pitiable to find bagasse go waste (except as fuel for the sugar indutry) when it can be successfully utilised in the manufacture of paper. At present, it is estimated that the total availability of bagasse in the country is of the order of about 80 lakh tonnes. This, coupled with the other resources like agricultural residues and grass, can slowly replace bamboo. Of course, the main important factor to be considered here is the economics of collection and delivery at the mill sites. This difficulty of course, can be overcome through the collective effort of the industry and the government.

(ii) **Modernisation** : The industry is still using the age-old and obsolete machinery. As regards the indigenous production of plant and machinery required for the paper industry, we have still to go a long way for achieving self-sufficiency. Most of the sophisticated machinery is still being imported from other countries. Probably the inadequate domestic demand of the same does not warrant the manufacture of all types of machinery indigenously. The government should see that those paper manufacturing units in the country which are willing to expand their existing capacities are allowed to import the right type of machinery for meeting their requirements of the expansion programmes. Otherwise, the dependence on the indigenous machinery by the paper industry (to whatever extent it might be) will not only lead to many uncertainties but also add to the cost of manufacture. Priority, of course, should be given to the expansion programmes of those units which are meeting not only the demands of domestic markets but also of foreign markets.

(iii) **Role of Small Mills**: The role of small paper mills in meeting the growing demand of paper in the country cannot be over-emphasised. A plan recently prepared by the All-India Small Paper Mills Association now needs to be fully considered by the government. The plan aims at achieving a production of three to four lakh tonnes of paper per annum with a total investment of about Rs 76 crores. The salient features of the plan include the setting up of 30 reconditioned plants of 40 to 50 tonnes capacity per day by the existing small units and supply of pulp by the public sector paper corporation.

(iv) **Finance**: With the present conditions obtaining in the capital market, it is very difficult for any new entrepreneur to raise funds. The government should consider the question of providing finances to paper industry at low rates of interest through the nationalised banks at least for meeting the requirements of the modernisation and expansion programmes.

(v) **Royalties and Leases**: Since forests are a state subject, the various state governments are interested in getting the maximum revenue through royalties. There are also wide differences between the royalty rates charged by the different state governments. These high rates of royalty will inflate the cost of production of the ultimate products.

Again, on the question of leases, the industry is facing difficulty as the state governments are leasing out the forest areas only for a short period and at every subsequent renewal, bargaining is going on to the advantage of state governments. This kind of attitude by the state governments towards the paper industry will put the latter in a most difficult position as there is no alternative for the industry except to accept the terms and conditions put forward by the state governments. In view of the long gestation period of the industry, unless the leases are for sufficiently long periods, say for a minimum period of 25 years, individual units cannot draw up any perspective plan for future expansion and development programmes.

There is, thus, an urgent need to impress upon the various state governments for lowering the rates of royalties and to grant long-term leases of forest areas (whenever the old leases are coming to an end) to the paper manufacturing units so that the industry may not feel unduly inhibited in its planning.

The paper industry in India is expected to serve not only the domestic consumers but also the consumers abroad, thereby earning the much needed foreign exchange for the country. The performance of the industry on the export front in the past few years has been encouraging and the exports of paper and paper board increased from Rs 13.7 million in 1966-67 to Rs 34.6 million in 1968-69.

In view of this dual role of the industry, a dynamic, realistic and long-term policy for its development has to be evolved expeditiously.

WINDOW ON THE WORLD

Tied Aid

JOSSLEYN HENNESSY

LONDON:

I

INTERNATIONAL COMPARISONS

AT WORLD conferences within the European Economic Community and the Organisation for Economic Co-operation and Development, western donor countries have repeatedly acknowledged the principle that aid should not be tied. In spite of this, the amount of tied long-term bilateral capital aid has increased, even though this is contrary to the aim of multilateral, non-discriminatory world trade. Assessement of the amount of tied aid is difficult because quantitative data are lacking. In an earlier OECD report on the flow between 1961 and 1965 of financial aid to developing countries, there is only a broad summary of tied aid granted by the members of the Development Aid Committee (DAC). Of all the OECD annual publications, only the 1968 Development Assistance Review gave figures—relatively covert and ill-defined—on untied aid and its share of official aid granted by the individual donor countries in 1966 and 1967.

This extremely meagre flow of information indicates that the donor countries are well aware of the complications arising from aid tying (e.g. reduction in real value of development aid and discrimination against recipient countries) but that they consider the question too full of political dynamite to allow publication of detailed data. A public discussion based on empirical data could throw embarrassing spotlight on the vested interests, both political and economic, of some donor countries. At the same time, a comparison of the development aid flows from donor countries would inevitably lead to new findings. The reduction of real value which occurs as a result of aid tying also means a reduction of the "grant element" which is the basis for mesuring the level of "genuine aid". The "grant element" is the face value of the loansum of discounted debt services multiplied by 100 and divided by the face value of the loan. A ranking of donor countries in this manner without regard to excess costs--though these are difficult to measure- is distorted and misleading.

From the few available sources it was established that on an average between 1966 and 1967, 50 per cent of all bilateral capital assistance from the OECD/DAC members were contractually tied. The ratio is reduced to about 35 per cent when total official development aid is taken as the basis for assessment. As it is virtually impossible to quantify unofficially tied aid (e.g. capital assistance granted to ex-colonies or through application of political pressure from donor countries) the above percentages represent the minimum limit of actual tied aid. As regards the contractually tied aid, there are marked differences between the various donor countries, depending on the nature and intensity of their motivation.

A list of significant motives would include:

—a balance-of-payment deficit,

—difficulties arising from structural weaknesses in certain economic sectors,

—pressure from various economic sectors threatened with exclusion from traditional or potential markets through artificial competitiveness manipulations of other donor countries (e.g. by their aid-tying),

—demonstration of industrial prowess of donor country through the financing and execution of

TABLE I

OFFICIAL AID FLOWS TIED TO PROCUREMENT IN DONOR COUNTRIES[1]

Gross Disbursements

Country	Total official dev. assistance[2]		Bilateral capital aid[3]
	1961—65	1966-67	1966-67
	in per cent		
Australia	10—30	17.1	21.0
Belgium	0—10	4.5	12.5
Denmark	0—10	19.7	84.5
Federal Republic of Germany	30—50	35.0	47.3
France	10—30	17.2	34.5
United Kingdom	30—50	43.8	57.7
Italy	30—50	46.2	62.9
Japan	60—80	70.8	84.5
Canada	60—80	72.5	97.4
Netherlands	10—30	16.7	37.3
Norway	0 10	1.3	10.7
Austria	60—80	83.1	99.2
Portugal	0—10	0.1	0.2
Sweden	0—10	8.8	39.3
United States	60—80	77.9	95.6
Unweighted average	30	34.3	52.3
Weighted average	50	63.0	79.5

(¹) Contractually tied project aid, contributions in kind, and official export credits. Official export credits in some cases play a decisive role in the Federal Republic of Germany, Italy, Japan, Canada, Austria, and the USA. If they are disregarded, tied aid's share of all public bilateral capital assistance for 1966-1967 on the average amounts to 30 per cent in the Federal Republic of Germany, 32 per cent in Italy, 73 per cent in Japan, 76 per cent in Canada, 20 per cent in Austria, and 82 per cent in the USA.

(²) Bilateral aid flows (incl. technical assistance and official export credits) plus flows to multilateral agencies.

(³) Total official development assistance minus multilateral and technical assistance.

Sources: The Flow of Financial Resources to Less-Developed countries, 1961--1965, Paris, 1967: Deveopment Assistance, 1968 Review, Paris 1968.

certain projects, which promote political prestige.

II

AID-TYING PRACTICES

United States

There has been an increase in tying official bilateral capital assistance by the United States of America during the last decade attributable primarily to persistent balance of payments deficits. During the Marshall Plan period and through the fifties, balance of payments considerations were of relatively little importance to development aid. As the USA was practically the only possible supplier of the required commodities, the assistance dollars were automatically used to pay for imports from the USA, thus rendering formal aid-tying superfluous. The situation changed as soon as Japan and western Europe became competitive with the USA, with the result that since 1959-60, American capital assistance has been tied to procurement in the USA. The possibility still existed for the recipient countries to use their American dollars to import goods and services from other developing countries but in March, 1966, this possibility too was considerably restricted, *i.e.*, to purchase from Taiwan, India, Morocco, Pakistan, the Philippines, South Korea, Singapore and Thailand.

In attempts to make tied aid more effective, the "negative lists" introduced in 1966 were replaced a year later by "positive lists": whereas the negative lists name commodities not to be imported with assistance dollars (e.g. luxury items), the positive lists consist of those commodities which, if purchased with aid dollars, must be imported from the USA. To ensure that the imports financed with capital assistance are made in addition to the "normal" commercial imports (additionality principle), the positive lists contain predominantly those commodities in which the United States is internationally less competitive and which usually represent an insignificant part of the developing country's normal commercial imports. Even services are tied, e.g. 50 per cent of imports purchased in the United States must be transported in ships sailing under the American flag. Recently the USA has, however, relaxed the almost total tying of capital assistance to Latin American countries, which may now use aid dollars to finance trade among themselves.

An approximate idea of how greatly American aid-tying increased between 1959 and 1969 can be obtained from data showing the development in purchases of US goods and services financed with AID resources. [The Agency for International Development (AID) was founded in 1961 and is the successor to the organisations International Co-operation Administrtion (ICA) and the Development Loan Fund (DLF) whose tasks and functions it has now taken over.] During this period, AID assistance accounted for nearly 50 per cent of total American development assistance. (A further 41 per cent—including Food for Freedom 30 per cent, loans from the Export Import Bank nine per cent, and Peace Corps two per cent—was almost completely tied and nine per cent went to multilateral agencies and other development programmes.) Whereas in 1959 developing countries used 47 per cent for imports from other industrialised countries and 11 per cent for those from other developing countries, in the first half of 1969 virtually all goods were purchased in the USA.

The United States has, however, continually stressed that the tying is a purely temporary measure, which will be lifted jointly with other donor countries as soon as there is a lasting improvement in the strained balance of payments situation. The now completed Peterson Report, compiled at the request of President Nixon, goes even further in advocating a general reallocation of American development assistance (at the moment predominantly bilateral) in favour of multilateral aid programmes; the report also proposes an intensification in international trade, a demand which, if realised, would mean the curtailment of present tying practices. To what extent political authorities are prepared to adopt the Peterson proposals will be seen in the 1971 bill for the enactment of the latest American initiatives in the field of development assistance.

United Kingdom

Britain's position in the sixties was similar to that of the United States; that is, balance of payment deficits and decreasing economic influence on the ex-colonies led to increased official development aid-tying. Britain's contractual aid-tying is comparatively less than that of the USA, but this does not take into account purposive geographical distribution of capital assistance, which in fact implies a greater amount of aid-tying than is revealed by looking at the level of contractually tied aid. During the sixties, 85 per cent of Britain's official net flows went to Commonwealth countries and only the remaining 15 per cent to independent developing countries outside the Commonwealth.

France

Without balance of payments difficulties in the early sixties, France's gradual increase in contractually tied aid served mainly to consolidate her influence in ex-colonies. Even though the level of contractually tied French aid in the last decade was below the average of the two countries above, the effective

TABLE II

PURCHASES OF GOODS AND SERVICES IN UNITED STATES, OTHER INDUSTRIALISED COUNTRIES AND DEVELOPING COUNTRIES FINANCED THROUGH A.I.D. FUNDS

year	Total purchases	United States		Other industrialised countries		Developing countries	
Other	millions of $	millions of $	per cent	millions of $	per cent	millions of $	per cent
1959	1002.1	475.0	47	422 3	42	104.8	11
1960	1040.8	422.7	41	513.9	49	103.6	10
1961	1054.6	465.7	44	496.3	47	92.4	9
1962	883.9	586.4	66	139.0	16	158.5	18
1963	1170.0	929.3	79	78.0	7	162.7	14
1964	1165.2	1008.5	87	38.7	3	118.1	10
1965	1287.8	1185.8	92	22.5	2	79.5	6
1966	1231.6	1110.5	90	11.2	1	109.9	9
1967	1402.3	1349.5	96	7.3	1	45.5	3
1968	1161.2	1142.7	98	8.2	1	10.3	1
1969 1st half	506.8	502.6	99	1 .4	*	1.8	*

(*) Less than 1 per cent.

Sources: Operations Report, Agency for International Development, FY 1959, Washington D.C.

ties were even more extensive than Britain's.

Thus, between 1960 and 1968, 90 per cent of French official net flows went to French currency areas, 24 per cent of which were French overseas territories or departments. This concentration of capital assistance on areas with traditional or currency links with France, along with the fact that almost 45 per cent of gross payment account for technical assistance, ensured that most of the imports of developing countries financed by capital assitance were procured in France. Similarly, other ex-and present-day colonial powers (Belgium, Portugal) had no need to recourse to contractual ties to ensure the reflux of the majority of their development assistance through import orders.

Japan

Whereas the increasing tied aid of the above countries is generally considered as a "defensive" measure, Japan pursued a market-capturing strategy with a large amount of aid-tying to procurement of Japanese products. According to the statute of the Japanese Export Import Bank, all extending of credit is based on tying; no such regulation exists in the Overseas Economic Co-operation Fund. At the begining of the sixties, all Japanese capital assistance was completely tied. During the following years, however, there was a slight relaxation which lowered the ratio to 85 per cent in the average of the two years 1966 and 1967.

West Germany

The Federal Republic of Germany holds a relatively favourable position in the international comparison of tied aid, but these data lie above those one would expect in view of the often-stressed liberal attitude. With persistent balance of payments surpluses in the federal republic, aid-tying hardly seems necessary. On the other hand, a renunciation of aid-tying on West Germany's part would probably lead at most to a small change in the pattern of world trade, as even then a large percentage of bilateral capital assistance would still be used for imports from the federal republic.

In 1968, the federal Ministry of Economics drew up a set of "Guidelines for the Shaping of Long-term Capital Assistance from the Federal Republic to Developing Countries", which state that aid-tying may be considered if (i) a demonstration effect is to be achieved by a capital assistance project, (ii) West German suppliers are put at a competitive disadvantage by the tying practices of other donor countries, or (iii) structurally-weak sectors of the economy stand to benefit. However, only a portion of the federal republic's aid-tying is in keeping with these guidelines. Between 1960 and 1969, about 10 per cent of West Germany's bilateral capital assistance was tied in accordance with (i) above. In addition to this, however, commodity aid and maintenance support, which are not project linked and which amounted to approximately 20 per cent of bilateral capital assistance in the sixties, are tied to procurement of goods in the federal republic.

Nevertheless, the federal republic declares itself ready in principle to grant untied aid. In the development assistance policy resolutions of February 26, 1970, the federal government also proposed the gradual abolition of all tied aid by donor countries.

III

MITIGATION OF TIED AID

So long as reduction of aid-tying does not progress past the declaration of intent stage and is not pursued in earnest, a minimal first step ought to be mitigation of the harmful effects of existing aid tying. (It was made clear at the ninth UNCTAD council meeting in Geneva held from February 3 to 20, 1970, that no major progress could be made by abolishing tied assistance.) Some possibilities in this direction would be:

—invitation of all domestic suppliers to national tenders:

—improvement of procurement techniques and organisation in developing countries through technical assistance (e.g. the Afro-American-Purchasing Centre set up in colloboration with AID and which helps recipient African countries to ascertain the most favourable price and quality obtainable from American suppliers):

—expansion of the assortment of goods and services included in existing lists so that the developing countries can avoid unfavourable prices;

—the possibility of spending tied aid not only in the donor country but also within the developing countries (e.g. the United States Latin American Assistance);

— a combination of international tenders and procurement tying by means of so-called joint financing i.e. the financing projects and commodities in which the donor country is internationally most competitive and hence wins the contract.

The elimination of excess costs resulting from such measures that is a rise in the real value of capital assistance would indeed partly run contrary to the aims of tied assistance but on the other hand would in part promote them:

—such measures would support the "demonstration motive" because having the most competitive suppliers is the best way to enhance a donor country's economic and political prestige;

—the adoption of such measures would not run contrary to the "balance-of-payments motive" in so far as development assistance would still be linked with corresponding exports;

—these measures would definitely contradict the "weak-sector motive." as the opportunity to give contracts to inefficient producers in the donor country would be curtailed but in the long run this also would certainly to be the advantage of the donor country

Sources and acknowledgements:

The foregoing summarises an exclusive report in the latest issue of the

Economic Bulletin compiled by Hans Bokermann and published by the Deutsches Institut far Wirtshaftsforschung (Konigin Luise Strasse, West Berlin 5) but the DIW is responsible neither for the emphasis of my summary nor for my comments based on a variety of sources.

if France can be persuaded to relax over the Mediterranean area and if, as now seems possible, relations between the Common Market and Comecon areas improve.

EEC Imports from Developing Countries

E. B. BROOK

VIENNA:

It would be ungenerous to greet the Common Market's decision to introduce free imports over a wide range of manufactures from industrially developing countries with the remark "better late than never" but the idea has taken eight years to develop into a decision.

The proposal was first put forward at the very difficult meeting of the United Nations Conference on Trade and Development (UNCTAD) which lasted for some eight weeks in the spring and early summer of 1963 in Geneva. Since then the industrial countries of western Europe partners in the Kennedy Round of general tariff reductions, the USA and Japan have come to take at first a less flatly negative attitude to the proposal and then slowly to see how such and idea could be put into operation without overmuch loss to themselves.

Although the Common Market often accused of protectionism will be the first to lift its tariff barriers for a wide range of imports from the industrially developing countries, it was Japan which first made the offer. Some months ago Japan indicated that it would accept in general the UNCTAD proposal, first put forward at Geneva in 1963 and repeated in a resolution adopted at a session in New Delhi in 1968, of duty-free imports and the Common Market has now gone a tactical step ahead of Japan by taking a formal decision on the subject.

Certain Limitations

There are limitations to the tariff relaxation: the Market will restrict the duty-free access to its members to the level of their imports from the developing countries in 1968 plus five per cent of their manufactured imports from other fully industrially developed countries. A range of procesed agricultural products will be included in the benefit as technically "manufactures" but textiles and footwear will receive less generous treatment from both the Common Market and Japan. The latter's own massive textile exports are still a major obstacle to a new trade agreement between the USA and Japan and Europe's textile manufactures are a highly protected area.

The French were as usual the most difficult to move in the matter maintaining their objections to a generalised tariff system and still favouring tightly-knit trade blocs as the economic ideal. It was on French insistence that Israel, Turkey, Spain and Portugal were, at least for the time being excluded from the duty-free benefit for their imports as well as such "politically sensitive" countries as Taiwan and Cuba. The only communist country benefiting from the relaxation is Yugoslavia, though others may be included later

Market officials calculate that the value of trade covered by the relaxation will be about £ 416 million and that the Market's loss of revenue will be about £ 40 million a year. The principal beneficiaries are likely to be the industrialy developing countries of Asia and South America. African countries have as yet so very little manufacturing capacity that the benefit to them will, for the time being, be minimal. Hongkong is included in the preferences but, as a result of pressure from European industries both its textile and footwear manufactures will still have to pay full customs duties.

One of the most encouraging aspects arising from this belated acceptance of the UNCTAD resolution by the Common Market and Japan is that it will give a powerful impetus to the USA to follow their example. The United State has already proposed a system which would give unlimited duty-free access,

subject to safeguards, to all manufactured imports from industrially developing countries except textiles, footwear and petroleum products.

In any case, the US relaxations, if they come, will not be in time to join those offered by Japan and the Common Market as from July 1. The best that can be hoped for is that the Market-Japanese decision may hasten the US administration in putting forward a definite proposal for the US Congress to consider. No bill has yet been drawn up on a generalised preference plan and the US Congress has as yet to come to a decision on the highly controversial Trade Bill still before it and the US administration to come to new trading terms with Japan. These two considerations are the most immediate concerns for the United States, but it is unlikely that the USA will choose to wait till the next UNCTAD conference, to be held in Santiago in April 1972, before arriving at a decision over its attitude to imports from the industrially developing "third world."

Slowing Growth

Meanwhile, western Europe—both the Market and the EFTA areas— are doing a little less well than formerly. Its growth rates are slowing down gradually. Two year ago, in 1969, west Europe's gross national product was six per cent; last year it went down to 4.7 per cent and a growth of not more than 3.8 per cent is expected for 1971. Foreign trade growth is also likely to slacken, although west Europe's exports will benefit from the economic recovery taking place in the USA. But inflationary pressure is stronger in western Europe than at anytime for 20 years with prices and wages rising last year on an average by 5.9 per cent and 15 per cent, respectively, wages rising more steeply than at any time for 18 years.

The most serious problems for an otherwise prosperous west Europe are its sharply rising wage bill, its combined trade deficit which rose to £ 2,900 million in 1970 from £ 1,900 million in 1969 and which is expected to go up again this year and the certainty of much heavier industrial overheads caused by the considerably increased oil prices. Not least, in some ways the most widely menacing of its problems, is the dissatisfaction of almost all farmers in western and central Europe, which erupted in adestructive and murderous riot in Brussels, and which may not be quietened by the Common Market's farm reform plan which has allowed moderate price increases and proposes more social security for the farmers. The farmers, like the industrial workers, having achieved a rise by strike action and aggressiveness, are unlikely to rest content with their bigger earnings but to use them as a base line in demanding more. This economic unrest in its biggest industry—farming—is west Europe's most vital problem, and on its satisfaction hang all other essential forms of progress and development.

Japan Enters Africa

HARDEV SINGH

A DELEGATION of Japanese entrepreneurs, representing industries such as automobile, steel, shipping, mining, and trading, which was sponsored by the Japanese government, has recommended after a recent visit to Africa that the area south of the Sahara should form a priority region for Japanese investments. The delegation came to this conclusion after a visit to Ethiopia, Kenya, Tanzania, Zambia, the Congo, Nigeria, Ghana, the Ivory Coast and Senegal.

The Chairman of Mitsubishi Heavy Industries Ltd, Mr Fumihiko Kono, who headed the delegation, has recommended that Japanese investments should flow particularly into raw materials and transportation. On this basis Japan is likely to invest in the field of mining in a big way. This is also in line with the large and nevertheless rapidly growing demand for mining products in Japan. It has been pointed out, for instance, that Japan's annual requirements of copper by the year 1975 may be of the order of one million tones and bulk of it is now likely to be supplied by the Zambian-Congolese copperbelt. Already a mining concern, Sodimco, owned jointly by the Congolese government and a consortium of Japanese interests led by Nippon is opening up a copper mine at Kisenda in Katanga. Its engineers recently confirmed their find of fairly rich deposits containing 8.4 per cent copper. Sodimco had also made known its intention of sinking $ 75 million into another copper mine nearby at Mushoshi which is likely to yield production in 1972.

Two giant Japanese trading houses, Mitsui and Mitsubishi Shoji Kaisha are likely to get into a joint venture for mining with the Zambian government and Anglo-American Corporation. These two trading companies are already importing annually around 100,000 tonnes of blister copper from Zambia. This joint venture may also involve International Nickel of Canada, and may operate in over ten mineral regions in Zambia for copper, lead, zinc and diamonds Japanese and French mining interests are also engaged in a joint venture to develop uranium resources in Nigeria. The Japanese rely on north and west Africa for phosphate rock and upon Sierra Leon and South Africa for iron ore. The Japan Petroleum Products' Association has also launched a project to search for sulphur oil in the Congo, Cameroon, Gabon and Angola.

Important Project

An important project to emerge from the visit of the mission is a $ 750 million trans-continental highway which Tokyo may finance partially in order to eliminate the main hindrances in the development of Africa caused by huge distances and poor communications. The 4,000-mile east west highway would link Kenya, Uganda, the Congo, the Central African Republic, Chad, Cameroon and Nigeria. Some of these countries have expressed keen interest in the project.

The Japanese have also established manufacturing units in several African countries. In the capital of Lagos and its suburbs, the Japanese have established plants for the assembly of television and radio sets and for the manufacture of sheet iron, synthetic cloth and fishing nets. They also run a textile mill which is currently being expanded to employ around 4,000 workers. The Japanese have also shown keen interest in the establishment of a petro-chemical complex, an automobile assembly plant, a cotton textile factory, an oil refinery and an ambitious tele-communications network involving several countries in west Africa.

Japan also depends on some African countries for the supply of raw cotton. For instance it has entered into a fairly big contract with Zambia for the supply of cotton seed and east Africa, the Sudan and UAR for the supply of cotton. West Africa also supplies timber and fisheries products to Japan.

On the other hand Japan has taken over as Nigeria's important supplier of ferrous and non-ferrous manufactured products and has entered the export trade of synthetic textile machines, telecommunication equipment and machine tools in a big way.

The moving finger writes

IT HAS by now been firmly established by highly credible eye-witness accounts in the world press that the armed forces of the military regime in Pindi have been destroying with systematic savagery large numbers of ordinary men, women and children in East Bengal in an attempt to suppress the movement for Bangla Desh. Such of us as might have fondly hoped that the great powers would intercede on behalf of the ravaged populace of East Bengal have learnt the bitter lesson that humanitarian considerations just do not count in the calculations of great power politics. Indeed it would even appear that the United States, for instance, would easily be convicted of hypocrisy had its government raised its voice in clear condemnation of the mass killings in East Bengal. Its record in the Vietnam war being what it is, Washington just cannot afford to strike a moral pose and preach to Pindi. When so many people in the United States, including its President, have decided to accord the status of a national hero to a convicted mass murderer such as Lt. Calley, their government certainly cannot be the one to throw a stone at the Yahya gang.

As for the United Nations, its Secretary-General has reduced it from a council chamber of the nations to their chamber pot. U Thant and the senior officials of his secretariat have been fattening for years on some of the highest salaries in the world, paid out of contributions from peoples of many countries, including the butchered peasants of East Bengal whose salt U Thant and his men have thus eaten. Even so, this small, selfish and cowardly person has made only Judas-gestures when confronted with the moral challenge of the mass slaughter in East Bengal.

I do not find it in myself to applaud the Government of India for having lent its military helicopters to the Government of Ceylon for use against insurgents in that country. There is no military pact between Ceylon and India obliging New Delhi to go to the rescue of the government of Colombo in this fashion. If the Bandaranaike administration has trouble on its hands, it has only itself to blame. So consistent has been its mismanagement of the political and economic affairs of Ceylon that it is no wonder that it at last finds itself relying so heavily on its security forces for maintaining law and order in the island. The insurgency has been given a "Che Guevara" label. Even so, this is a matter clearly for the people of Ceylon to settle without aid or comfort from the government of Mrs Gandhi to the government of Mrs Sirimavo Bandaranaike.

Whether the Supreme Court has been impressed by the Prime Minister's suggestion that it should take note of how the people had voted in the recent election and reform itself, I do not know. What is clear, however, is that the Federation of Indian Chambers of Commerce and Industry has lost no time in drawing its own conclusions from the Prime Minister's admonition which, it evidently believes, applies to other institutions besides the Supreme Court. There may be something to be said for businessmen individually not wanting to play an active part in politics, but I see nothing in favour of a business organisation collectively choosing to play the game of the politicians. The struggle between liberalism and so-called radicalism in this country is far from over yet. Some businessmen may be able to obtain short-term gains by surrendering to the political pressures or passions of the day. They may nevertheless discover sooner rather than later that they have been short-sighted in imagining that one election has settled for ever the issue of the individual *versus* the state or rather the government of the day.

I have a feeling that even more popular than the Prime Minister's triumph in the election is Mr Masani's defeat at the polls. I suspect, in fact, that his defeat has been popular even with his own family, including Mrs Masani.

Mr Masani, however, has an advantage in that he does not know when he is down or even when he is down and out. Writing in the *Statesman* he has laboured the point that Mrs Gandhi or her party cannot be credited with having received a massive mandate from the electorate since she or it had polled only 43.64 per cent of the total votes cast in an election in which only 54.81 per cent of the total electorate chose to visit the ballot box. Mr Masani, here, overlooks the fact that, given the size, composition and quality of the electorate in this country, voter participation in an election to the extent of about 55 per cent is not a small thing by any reckoning. Again, for a party fighting an election on a national scale under these conditions, to secure about 44 per cent of the total votes cast is no mean achievement when considered in the light of the fact that this party was confronted by an alliance of four all-India parties.

If Mr Masani's argument is that Mrs Gandhi has failed to make good her famous boast that 95 per cent of the people are with her, I, for one, would not grudge him the satisfaction of having scored a debating point. I would point, however, that he himself has conceded that Muslims, Harijans and women have voted *en bloc* for Mrs Gandhi and her party. Many would add to this list the class of voters in their twenties. Is it Mr Masani's contention that these categories can be dismissed as reflecting negligible segments of the popular will? Could it be his notion that, while adult suffrage may assume that all voters are equal, there still are categories of voters who must be considered less equal than others?

Mr Masani is no doubt right in stating that the popular will could get more accurately reflected in the composition of legislatures if elections are held under one or the other system of proportional representation. Now that he has perhaps considerable free time on his hand, he is welcome to campaign for electoral reform. Meanwhile he must reconcile himself to facing the fact that all the five general elections have been held on the basis of a single, non-transferable vote and that the electorate as a whole managed nevertheless to express effectively its disillusionment with and disapproval of the Congress party in 1967 just as it has recorded its faith and hope in the party of Mrs Gandhi in 1971. A political realist must accept this fact, but then Mr Masani has never been a realist, political or other.

V.B.

Trade Winds

CAR PRICES

THE SUPREME Court recently passed an interim order fixing the selling prices of the Ambassador, Fiat and the Standard Herald motor-cars pending disposal of writ petitions by the Premier Automobiles and others. This order, the court said, is subject to the final order that the court will pass after taking into consideration the prices fixed by the government. The court said that if felt later that the prices should be less than those fixed, the manufacturers will be bound to refund the excess ex-factory price collected from the consumer. A condition to this effect should be incorporated in all the sale documents. The Ambassador Mark II would be permitted to sell their cars hereafter for an ex-factory price not exceeding Rs15,769, the manufacturers of the Fiat 1100 for an ex-factory price not exceeding Rs 14,787 and the manufacturers of the Standard Herald, 4-door model, for an ex-factory price not exceeding Rs 15,220. These prices had been proposed by the commission set up to recommend the fair selling prices. Coming to the dealers' margin, the commission appointed by the government had recommended a sum of Rs 1,050 for dealers of the Ambassador, Rs 900 for dealers of the Fiat and Rs 860 for those of the Standard Herald 4-door model. The court directed that the manufacturers shall pay the aforesaid commission as an interim measure. So far as the other concessions to be given to the dealers recommended by the commission were concerned, the court made it clear that it would take this fact into consideration in the final decision regarding the rise *inter se* between the manufacturers and the dealers. In pursuance of the directions issued on May 5, 1970, the government had appointed a commission to recommend the fair selling prices of the Ambassador Mark II, the Fiat 1100 and the Standard Herald 4-door model. It was pointed out to the court by the Attorney-General that the government had not yet considered this report and, therefore, it was difficult to say if the recommendations made by the commission were acceptable. Therefore, the court considered it necessary to pass an interim order for the reason that if once cars are sold by the manufacturers to the consumer for a price less than that recommended by the commission it may not be possible to realise from the consumer any price that will be fixed in excess of the prices in force at present. The court further directed that since the petitions have been pending for a long time, they may be listed for hearing in the first week of August.

FOREIGN TRADE IN JANUARY

Export from this country in January 1971 totalled Rs 143.72 crores and imports Rs 157.10 crores. For the ten-month period, April 1970 — January 1971, exports amounted to Rs 1241.10 crores as against Rs 1187.98 crores during the same period in 1969-70, showing a rise of Rs 53.12 crores. The trade statistics for April 1970—January 1971, alongwith the corresponding figures for 1969-70, are given below.

(Rs crores)

	Cumulative totals for April-January	
	1970-71	1969-70
Exports (incl. re-exports)	1241.10	1187.98
Imports	1371.84	1307.75
Balance of Trade	—130.74	—119.77

NEW IMPORT POLICY

The import policy for the period April 1971—March 1972 will be announced on April 30, 1971. According to an Import Trade Notice issued recently. Import applications for the period April 1970—March 1971 received up to March 31, 1971, and pending applications relating to the previous periods will continue to be considered in terms of the import policy for the period 1970-71, till the new import policy for the next licensing period is announced. Applications for import of raw materials, components and spares by 'priority' industries and by registered exporters for 1971-72 will continue to be made on the same basis as for 1970-71.

POWER SHORTAGES

Power shortage in some areas is mainly due to the absence of transmission lines from the neighbouring surplus regions. Inadequate investment in the field of transmission and distribution is chiefly responsible for this and in the absence of inter-connection, unsatisfactory voltage conditions and low reliability of supply in various power systems will continue, states the report of the Power Economy Committee which has been submitted recently to Dr K.L. Rao, union Minister of Irrigation & Power. In order to illustrate its point, the report refers to an indicative study of the benefits of integrated operation of four systems in the southern region which shows that about Rs 8.27 crores could have been saved in fuel charges alone in 1968-69 if principles of economic generation scheduling were applied. Nearly 2692 million units of thermal generation in Tamil Nadu could have been substituted by zero cost surplus hydro generation from Sharavathi hydro-electric project, Mysore. The report also indicates similarly about Rs 8.33 crores can be saved in 1973-74 if co-ordinated generation scheduling is carried out. A large capacity saving can also be achieved, if systems are planned and operated in an integrated manner. The report observes that one state may have surplus generating capacity while the other may suffer shortages. It cites the example of a state like Maharashtra which lost industrial production to the tune of Rs 100 crores in power shortage extending for six months in 1969 due to absence of adequate transmission lines with Mysore and Madhya Pradesh, where surplus power was available. The report points out that provision for transmission and distribution in the fourth Plan is Rs 721 crores against a provision of Rs 1255 crores for generation schemes and Rs 444 crores for rural electrification. If the deficiencies are to be rectified, it is apparent that provision for transmission and distribution in the fourth Plan and subsequent Plans should be considerably increased, states the report.

TEA DELEGATION

A four-member delegation, led by Mr C.S. Ramachandran, Additional Secretary of the Ministry of Foreign Trade, has left for Rome recently to participate in the meeting of the Exporters' Group of the Consultative Committee of Food and Agriculture Organisation (FAO) on Tea. At the second session of the FAO Consultative Committee on Tea, held in November-December, 1970 in New Delhi, the exporting countries had recognised that, within the projected frame-work of long-term arrangements for tea exports, an interim arrangement was required for 1971. It was then agreed that the global export quota of black tea in 1971 should be maintained at the same level as for 1970. It was also agreed that a meeting should be held early in 1971 to review the situation. The Consultative Committee on Tea has been working on the problem of balancing export supply and demand, so as to stabilise prices at a remunera-

tive and equitable level. The global export quota for black tea was fixed at 594 million kgs for 1970 with a possible shortfall of about one per cent. The Indian delegation proposed to make efforts to reach an accord with other exporting countries to ensure that the prices reach at least the 1968 level.

MISSION FOR AUSTRALIA

A 15-member technical mission sponsored by the Indian Pulp and Paper Technical Association with the assistance of United Nations Industrial Development Organisation left for Australia recently to study the problems of utilisation of tropical raw materials like hardwoods bagasse and agricultural residues. The mission will also study the techniques in forestry, paper making conversion and other fields. Speaking to newsmen, on the eve of its departure, Dr R.L. Bhargava, leader of the mission, said that the mission will also visit Japan and Thailand. Their interest in going over to Australia was to study the utilisation of hardwoods such as eucalyptus pulping and newsprint. Mr Bhargava added that 80 per cent of the consumption of newsprint in Australia came from the raw material eucalyptus. He felt that the Australian technology in the manufacture of newsprint from eucalyptus could be useful for India and that Australia had an open mind in offering her technology.

CO-OPERATION WITH RUSSIA

This country and the Soviet Union signed recently an agreement providing for the supply of 20,000 tonnes (110,000 bales) of raw cotton annually from the Soviet Union which would be converted into cotton textiles in India and re-exported to the Soviet Union. This follows high level discussions held in New Delhi between delegations of the two countries to discuss matters relating to trade and industrial co-operation. The union Minister of Foreign Trade, Mr L.N. Mishra, who led the Indian delegation to these talks, signed on behalf of India Mr N.N. Mirotvortsev, Vice-Chairman of the USSR State Planning Committee, who led the Soviet delegation, signed on behalf of the Soviet Union. The agreement is in pursuance of Article 11 of the Indo-Soviet Long-term Trade Agreement which was concluded in New Delhi in December last. Article 11 of the Agreement envisages the exploration of "new avenues in the field of industrial co-operation as well as for further utilisation of existing and the creation of additional production capacities in each country on a mutually beneficial basis with a view to bringing about further increase in bilateral trade." The two delegations have also held discussions regarding further transactions of similar nature which may materialise in future. These relate to the possibilities of concluding arrangements in respect of raw wool and supply of pig iron from India to the Soviet Union for conversion into rolled steel and alloy steel and subsequent re-export to India. Both sides have agreed to hold further discussions in this regard in the near future.

AGRICULTURAL EXCHANGE

The feeling that closer collaboration in agriculture between Hungary and India was desirable was shared by Mr Fakhruddin Ali Ahmed, Minister for Food & Agriculture, and Dr Imre Dimeny, Hungarian Minister for Agriculture, when the latter called on Mr Ahmed recently. Dr Dimeny paid a high tribute to Indian scientists whose work he had seen at the Indian Agricultural Research Institute, New Delhi, the Indian Veterinary Research Institute, Izzatnagar, and at the Pantnagar University. He gave an account of the progress made by Hungary in the cultivation of triticales (protein-rich cross between wheat and rye), in evolving high yielding varieties of maize and sugar beet, in the utilisation of waste for fodder, in poultry development and in raising forests through quick-growing species. He felt that Indian experience in these fields would be valuable for Hungary and Hungarian experience, similarly, would be of use to India. His suggestion that arrangements should be devised for more direct contacts between agricultural experts of both countries than was possible under the present cultural agreement was welcomed by Mr Fakhurddin Ali Ahmed. It was agreed that Hungary would initiate a proposal which would generally affirm the desirability of closer collaboration, after which specific areas would be identified by visits of expert teams.

COCONUT OUTPUT

This country produces nearly 5,437 million fruits in her conconut gardens covering about 978,000 hectares (1968-69) and earns more than Rs 14 crores in foreign exchange from the export of coir goods and coconut oil cake. But at the same time the country imports copra and other coconut products worth over two crore rupees annually to meet internal demand. Kerala alone accounts for two-thirds of the total area under coconuts. The other states which grow this crop are Mysore, Tamil Nadu, Andhra Pradesh, Maharashtra, Orissa, West Bengal and Assam. It is proposed to increase output and the target for the end of 1973-74, has been placed at an annual additional production of 1000 million nuts. The strategy for coconut development during the period is to increase production from the existing gardens by organising package programmes aimed at raising productivity per unit area by supplying inputs like fertilisers, manures, irrigation and plant protection measures. In addition, emphasis is being laid on production of disease resistant hybrid seedlings which give double the yields. The scheme is already under implementation in Kerala, Mysore, Tamil Nadu and Andhra Pradesh.

PETROLEUM INDUSTRY

Petroleum and fertilizer industries in the country according to a folder brought out by the Economic & Statistical Division of the Ministry of Petroleum, Chemicals and Mines and Metals maintained a steady growth during 1970. Crude oil production, after experiencing a sharp growth in 1969, maintained that level of production in 1970 too. However, it is interesting to note that while the indigenous crude production was enough to meet only 5.8 per cent of the demand for petroleum products in 1960, its share rose to 36 per cent in 1970. The Oil & Natural Gas Commission's share in the production of crude rose sharply in the five-year period 1965-70, from 37 per cent to 53 per cent. On the refinery side, the figures show that whereas in 1960, there were only four refineries, all in the private sector, in 1970, this country had 10 refineries out of which 5 were in the public sector. Of the total refinery throughput of 18.5 million tonnes in 1970, the public sector refineries accounted for 11.0 million tonnes or 59 per cent of the total.

In 1970, the consumption of petroleum products increased at a rate of 8.1 per cent compared with the rate of 9.5 per cent last year. Some of the important petroleum products, which had a high growth rate, were liquefied petroleum gas and naphtha. The total import bill of crude and products rose from Rs 85.60 crores in 1960 to Rs 133.1 crores in 1970. However, of the total imports in 1960, petroleum products accounted for 48 per cent, whereas in 1970, this figure fell sharply to 23 per cent. It was mainly the crude that was imported.

LUFTHANSA EXTENDS SERVICE

On April 1, 1971, the Lufthansa carrier's new summer schedules will include Bombay, Warsaw and Turin. On May 13, services to Asuncion and Casablanca will commence and finally, on June 1, Caracas and Monterrey will be added to the network. The other highlights of the new summer schedule are: the fourth Boeing 747 will be put in service; Caracas and Bogota will be included in the freighter network; on the North Atlantic a fourth weekly service will be added from Fankfurt to Mexico. This flight will also call at Montreal and Monterrey.

Company Affairs

MADRAS RUBBER

Mr K.M. Cherian, Chairman, Madras Rubber Factory Ltd, told the shareholders at the annual general meeting held recently that the balancing equipment received and installed during the year ended September 30, 1970, had resulted in additional capacity which contributed to increased production. Sales of the company increased by 20 per cent to more than Rs 24 crores and net profit also recorded a increase from Rs 94.25 lakhs to over Rs one crore. The directors have recommended a payment of dividend of 12 per cent on the paid-up capital. Mr Cherian informed the shareholders that efforts were being made to expedite the shipment of the remaining machinery so that the expansion of the company's manufacturing capacity could be completed in 1972 from 360,000 to 610,000 tyres and tubes. He added that the production of bicycle tyres started on March 1, 1971, and production of brake chamber diaphragms was also taken up in February 1971. Mr Cherian stated that the company exported tyres and tubes worth more than Rs 58 lakhs to over 30 countries including the USA It was through sustained efforts that the company was able to attain this level of export performance.

Mr Cherian stressed the need for research and development and stated that continued technical collaboration agreements were necessary in order to receive technical know-how from the collaborators on a continued basis. He pointed out that the amount of expenditure involved in original research of tyre technology has been colossal. That was why in a large country like the USA there were just 10 independent tyre manufacturing companies. Only economically-sized units could afford to incur large expenditure on research. Even developed countries such as Japan and Italy, were still depending on original research done in other countries such as the USA. It was also a fallacy to presume that as a country developes its technical fee payments should come down, he added. This was amply demonstrated by the example of Japan whose royalty payments were increasing substantially every year. Therefore a rational approach to the subject was necessary, he said.

CENTURY ENKA

The directors of Century Enka Ltd have proposed a maiden dividend of six per cent for the year ended September 30, 1970 The company has earned a gross profit of Rs 3.39 crores during the year which is also the first year of its full production. In the previous year the company incurred a loss of Rs 41 lakhs. After writing off the deficit of Rs 1.03 crores brought in and preliminary expenses amounting to Rs 5.73 lakhs, the directors have set aside Rs 14.50 lakhs for export obligations, Rs 94.66 lakhs for development rebate reserve and Rs 13,000 for income-tax in respect of the previous year. There is a net profit of Rs 29.97 lakhs which has been transferred to general reserve. The proposed dividend will be paid out of general reserve.

HINDUSTAN INSECTICIDES

During the year 1970-71, the Delhi factory of Hindustan Insecticides Limited produced a total quantity of 2,769 tonnes of technical DDT against a rated capacity of 2,744 tonnes — exceeding the rated capacity by about 25 tonnes. It may be recalled that the Delhi factory was expanded during the year 1969 by the company's own technical efforts and from the company's own financial resources, and in the very first year following expansion, the factory has been able to exceed the rated capacity. The highlight of the year's production has been the record production of the technical DDT of 262 tonnes in the month of November 1970 which exceeded the rated capacity of the plant by about 15 per cent.

PHILIPS INDIA

Philips India's annual report for 1970 shows an increase in sales during the year 1969 by nearly 25 per cent to Rs 37.68 crores from Rs 30.21 crores in all product lines, especially radios, light products and components for other lamp manufacturers. Telecommunication equipment and welding electrodes also showed a marked growth in sales. Stress was laid during the year on extending the company's activity in the field of sophisticated professional and scientific equipment and a special programme of customer education and sales promotion was undertaken. The company continued to extend and strengthen its marketing organisation and to intensify its distribution efforts in the rural areas. The company's exports crossed the Rs one-crore mark during the year and were 40 per cent more than in the previous year. The profit for 1970 before tax increased to Rs 6.72 crores from Rs 5.27 crores for 1969 after charging depreciation of Rs 1.10 crores. The profit after tax amounted to Rs 2.47 crores against Rs 1.87 crores for 1969. A sum of Rs 20 lakhs has been transferred to the development rebate reserve and Rs 3 lakh has been released. As in previous years, Rs 10 lakhs have been set aside towards debenture redemption reserve. A sum of Rs 5 lakhs being excess provision for liabilities of previous years has been added back to profit. The directors have proposed a final dividend of one rupee per share subject to tax, payable out of general reserve, absorbing Rs 54 lakhs, which together with the interim dividend of one rupee (paid in December last) will bring the total distribution for 1970 to the shareholders to two rupees per share. The total dividend for 1970 will absorb Rs 1.09 crores.

LICENCES & LETTERS OF INTENT

The following licences and letters of intent were issued under the Industries (Development and Regulation) Act, 1951, during the four weeks ended November 28, 1970. The list contains the names and addresses of the licensees, articles of manufacture, types of licence —New Undertakings (NU): New Article (NA); Substantial Expansion (SE). Carry on Business (COB); Shifting and annual installed capacity.

LICENCES ISSUED

Metallurgical Industries

M/s Acme Pig Iron & Centrifugal Pipe Works Ltd, Commissariat Bldg; 231-Dr D.N. Road, Bombay. (Khapoli, Dist: Kolaba-Maharashtra)—shots & grits (heat treated—2,000 tonnes per annum); (COB); M/s Acme Pig Iron & Centrifugal Pipe Works Ltd, Commissariat Bldg;231, Dr D.N. Road, Bombay. (Khapoli, Dist: Kolaba, Maharashtra)—alloy steel castings — 3,000 tonnes per annum; (COB); M/s Jotindra Steel Wire Products, 2423/29, Surekha Building, Shardhanand Marg, Delhi-6. (Faridabad — Harayana) — GI black pipes & tubes — 8,000 tonnes per annum; (COB); M/s Testeels Limited; 'NAVDEEP'; Ashram Road, Ahmedabad-14 .(Dehgaom — Gujarat); Steel & steel frame structures; hydraulic steel structures, bridges, power structurals—-6000 tonnes p.a. (ii) transmission line towers & power house structures—6000 tonnes p.a.; (COB); M/s Anil Starch Products Ltd; Anil Road, Ahmedabad-2. (Ahemadabad-Gujarat); Iron & Steel Forgings; 1. forged flangs, 2. forged pipe fittings, 3. tractor parts, 4. automobile wheel brace spanners. 5. other alloy steel forgings-600 tonnes p.a.; (COB); M/s Kanthal India Ltd; 1, Crooked Lane, Calcutta-1. (Pimpri-Poona-Maharashtra—precision investment castings (lost wax process) including both ferrous & non-ferrous castings—60 tonnes (or 30,000 moulds) per year, (COB);

Fuels

Shri Radha Kant Sahay; Khanzanchi Talab, Boddan Bazar, Hazaribagh. (Sirka & Bhuijandih-Bihar)—coal—25,000 tonnes per annum, (NU); M/s A.K. Collieries Ltd; (Khas Bavalioni

Colliery, 34-A, Sardar Sankar Road, Calcutta-29. (West Bengal) — coal 6,000 tonnes per annum, (COB); M's East Murlidih Coal Company Pvt. Ltd; East Lohapati Colliery, P.O. Jaharia (Dhanbad), Bihar. — coal 1,50,000 tonnes per annum, (SE).

Prime Mover

M's Rallis India Ltd; United India Bldg; 'F' B-lock, Connaught Circus, New Delhi. (Udhna-Gujarat) — two stroke petrol engines 'JLO' model L-35 & L-77 suitable for knapsak sprayers—60,000 Nos. p.a. on double shift basis, (COB).

Electrical Equipment

Standard Batteries Ltd;Vakola;Santa Cruz, Bombay-55.AS. (Vokola-Bombay) — automobile starter batteries-1,00,000 Nos. (i.e. 256,000 Nos. per annum after expansion) (SE); Transformer & Electrical Kerala Ltd; Angamally, P.O. Ernakulam. (Kerala)—1. circuit breakers — 66/33/22 KV — 75 nos. p.a. 2. circuit breakers-11KV—300 Nos. p.a. 3. P.T. & C.T. —11/22/33/66 KV—1,500 nos. p.a., (NA); Peramnent Magnetics Ltd; 20, Old Custom House Rd; Bombay-1. (Maharashtra)—cast alloys permanent magnets — expansion by 60 tonnes p.a. (i.e. after expansion the capacity will be 240 tonnes); (SE) M's Havero Industries Ltd; Industrial Estate, Lal Baug, Bombay-12 DD. (Bombay-Maharashtra) — dry battery cells—48 million Nos. per annum. (i.e. 60 million Nos. after expansion (SE); Jain Miniature Bulb Industries, 18-A Pokharpur, Kanpur-10. (Kanpur-UP)—i. motor car head light lamp. (ii) Auto side & tail gass filled. (iii) railway signalling lamps—4.5 million Nos. p.a. (NU); M's Ravindra Haveans Pvt. Ltd; Shanti Nagar, Pipeline Vokola, Santacruz, Bombay-55. (Bombay- Mahharashtra)— 1. electrical contacts—4,000 Kgs. p.a.,2. tungestant tipped contacts—1,80,000 nos. p.a., (COB);

Telecommunication

M's Philips India Ltd; 53, Jorbagh, New Delhi.(Poona-Maharashtra)--radio receivers — from 3.30 lakhs nos p.a. to 7 lakh Nos. p.a., (SE); Serson Industries Pvt. Ltd; Pimpri, P F PO, Poona-18. (Pimpri-Maharashtra)—electrolytic capacitors—1.0 million Nos. per annum on single shift for 26 days; (COB).

Transportation

M/s Atlas Cycle Industries Ltd; Industrial Area, Sonepat. (Sonepat-Haryana)—7,00,000 Nos. complete bicycles per annum, (COB).

Industrial Machinery

Mr. J.N. Raina, M/s Excelsior Plants Corpn. Ltd; C-595, Defence Colony New Delhi-3. (Faridabad-Haryana)—automatic brick making plants including transport equipment specially designed for the automatic brick making plants —12 (twelve) Nos. p.a., (NU); Braithwaite & Co. (I) Ltd; Hide Road, Calcutta. (Angus, Dist: Hooghly, West Bengal)—container crane & bulk unloaders —8 Nos. (estimated 4000 tonnes) per annum, (NA); The Indus-trial Gases Ltd; 15; Ganesh Chandra Avenue, Calcutta-1. (Kanpur-UP)—1. Oxygen & nitrogen plants, 2 acetylene plants — worth Rs 52, 49 lakhs p.a. (NA); M/s Indequip Engg. Ltd; Reid Road, Ahmedabad-2. (Naroda-Gujarat)—(i) standard roller chain couplers—1,000 Nos. p.a. (ii) chain motors—500 Nos. p.a., (iii) chain reducers—500 Nos. p.a., (NA); M's Refrigeration Accessories Ltd; 13'I'B, Russel Street, Calcutta-16. (Faridabad-Haryana)—(i) thermostats of all types —5,000 Nos. p.a., (ii) Humidistats—1,000 Nos. p.a., (iii) solenoid valves—5,000 Nos. p.a. (iv) duel pressure controls swtiches—2,000 Nos. p.a., (v) expansion valves automatic thermostatic—2,500 Nos. each p.a., (vi) driers & filters—10,000 Nos. p.a. (vii) brass & copper fittings—5,000 Nos. p.a., (COB); M's Needle Roller Bearing Co. Ltd; B-16 , Road No. 2, Industrial Area (Waylewadi, Thana) (Thana-Maharashtra)— Needle roller assemblies in the form of—(a) needle roller bushes— 20,00,000 Nos p.a., Nos. p.a., (b) loose needle rollers—20,00,00,000 Nos. (or 20,00,000 Nos. loose assemblies) (SE)—needle roller bearing 12mm—75 mm. ID and 95 mm. O.D.—4,00,000 Nos. p.a. (NA).

Machine Tools

The Chairman & Managing Director, Hindustan Machine Tools Ltd; Bangalore. (Hyderabad—Andhra Pradesh)—all types of presses, press brakes, shears including but not limited to mechanical presses, hydraulic presses, transmat presses press, brakes, shears, impact extrusion presses, special presses, verson-wheel presses auxilliary & accessory Equipments—Rs 500 lakhs p.a. (NA).

Agricultural Machinery

M's Mysore Implements Factory, (Govt. of Mysore), P.B. No. 4, P.O. Hassan, Mysore State. (Hassan-Mysore) The figures are expansion envisaged and capacity after expansion (monthly) 1. mumties (all varieties 500 Nos,1.86 tonnes Nos 12,500 Nos, 22.50 tonnes, 2. pick axes & benters—79,900 Nos, 240.26 tonnes 83,500 Nos,250.000 tonnes) 3. craulers—200 Nos, 1.80 tonnes, 500 Nos, 4.50 tonnes, 4. hammers—2,350 Nos, 4.30 tonnes, 8,350 Nos,15.10tonnes5· Shovels—900 Nos, 1.64 tonnes 2,100 Nos, 3.80 tonnes 6. mumty forks & others—260 nos, 5.00 tonnes, 500 Nos, 10.00 tonnes; 7. digging forks—260 Nos, 5.00 tonnes 500 Nos., 10.00 tonnes, 8. other misc. articles—nil Nos. nil tonnes, 8,150 Nos 18.10 tonnes, Total—84,370 Nos. 256.86 tonnes, 116,100 Nos 334.00 tonnes, (SE)

Engineering Industries

M/s Zenith Steel Pipes Ltd; 195, Churchgate Reclamation, Bombay-20 BR. (Bombay-Maharashtra)—1. Circular shear knives—3,000 Nos. p.a., 2. forming mill rollers—6,000 Nos. p.a., 3. dies for use of forges—6,000 Nos. p.a., 4. special jigs & fixtures—3,000 sets — (300 tonnes p.a.) (NA).

Chemicals

Hyderabad Chemicals & Fertilizers Ltd; 100, Bashir Bagh, Hyderabad-29. Manla Ali (AP),—(a) alum ferric, (b)chlorosulphonic acid—3,000 tonnes & 5,000 tonnes respectively p.a. (NU) —Alembic Chemicals Works Co. Ltd: Alembic Road, Baroda-3. (Baroda-Gujarat)—carbaryl—2,000 tonnes per annum. (NA); Travancore Titanium Products Ltd; Kochu Veli, Trivandrum -7. (Trivandrum-Kerala)—sulphuric acid from—36,000 tonnes to 1,08,000 tonnes per annum after expansion (SE); M's Pesticides Ltd; 138-141, Govt. Industrial Estate, Kandivli (West), Bombay-67. (Chittalsar, Dist: Thana-Maharashtra).—1 BHC formulation—1,225 tonnes p.a. 2. malathion formulations—150 tonnes p.a. (NA); M/s Hochest Pharmaceuticals Ltd; Dugal House, Backbay Reclamation, Bombay-1. (Bombay-Maharashtra 1.)—procaine — hydrochloride — expansion from 40 tonnes to 100 tonnes p.a. (SE).

Textiles

The Ahmedabad Mfg. & Calico Printing Co. Ltd; Calico Chemicals & Plastics Division, Anik-Chembur, Bombay-74.AS. (Ahmedabad-Gurajrat)—polyester staple fibre—6,100 tonnes p.a. (NU).

Paper & Pulp

M's Rohit Pulp & Paper Mills Ltd: Hamam Chambers, Parsee Bazar Street, Bombay-1. (Khadki, Udvada R.S., Gujarat)—i. writing & printing paper—8,1000 tonnes p.a., ii. pulp (Paper Grade)—8,100 tonnes p.a. (COB); M's Punalur Paper Mills Ltd; Punalur (Kerala). (Punlur-Kerala) —1. pulp (paper grade)—12,500 tonnes p.a., 2. paper (printing & writing,packing & wrapping, kraft, match papers, boards & speciality papers) — 12,500 tonnes p.a. (COB); Vijay Flexible Containers Pvt. Ltd; Hassan Chambers, Parsee Bazar Street, Bombay-1. (Faridabad-Haryana)—cartons, labels, wrappers & printed paper materials—1,800 tonnes p.a. (COB) M's Bombay Paper Mfg. Co., 109, Shaikh Memon Street, Bombay-2. (Wambivali, Dist. Thana) (Maharashtra).—MG tissue paper—700 tonnes per annum. (COB) M's Rolls Print Co. (P) Ltd; (M's Rollatainers Pvt. Ltd) 173, Golf Link, New Delhi. (Faridabad-Haryana) —specially lined paper board cartons (in various sizes) known as cekatainer cartons, cekatainer liners & cekavac—8,000 tonnes p.a.(NU) M/s Rolls Print Co. Pvt. Ltd; 6, Jawaharlal Nehru Road, Calcutta-13. (Calcutta-West Bengal)—paper packing of all sorts & size, cellophane packing, paper rolls for teleprinters, polythene bags & tubings; bags &

Pouches & cartons—2,600 tonnes per annum in terms of main raw materials used. (COB); Shri S. Ranganathan,(M/s Lakshmi Paper Industries 38 Town Rly. Station Road, Salem (Madras) (Salem-Tamilnadu)—paper & film bases, flexible industrial—packaging material—1,500 tonnes p.a. (COB); M/s Colour Cartons Ltd; Tiecicon House, Dr. E. Moses Road, Bombay-11. (Bombay) Maharashtra)—boxes, cartons, laminated cartons catch covers, lables, leaflets, mailing literature & packaging material—3,600 tonnes p.a. (COB).

Sugar

M/s Kothari Sugars & Chemicals Ltd; P.B. No. 3309, Kothari Bldg, 20, Nungambakkam High Road, Madras. (Desanur Village, Distt. Bellary—Mysore)—sugar—crushing capacity 1,500 tonnes of sugar-cane per day (NU); M/s Shree Talala Taluka Sahakari Khand Udyog Mandli Ltd; Dist. Junagadh, Gujarat (Talala, Dist. Surath-Gujarat —sugar-crushing capacity of 1,250 tonnes of sugarcane per day. (NU); M/s Vasant Sahakari Sakhar Karkhana Ltd; Pusad, Distt. Yeotmal. (Maharashtra) — sugar-crushing capacity 250 of sugarcane per day. (NU).

Food Processing Industries

M/s Aurofood Pvt. Ltd; P.O. Auroville, Via. Pondicherry. (South India). (Auroville-Tamil Nadu) — biscuits — 3,000 tonnes p.a. (NA).

Leather

M/s Farida Prime Tannery: 8-V.V. Koil Street, Periamet, Madras-3. (Ambar—Tamil Nadu)—E.I. tanned goat & sheep skins—15.30 lakhs pieces p.a. 2. west blue chrome tanned skins — 1.64 lakhs Nos. p.a. (COB); M/s South East Tanning Company, 4/5, Vepery High Road, Periamet, Madras-3. (Ambur—Tamil Nadu)—(i) E.I. tanned goat skins—6.39 lakhs nos. p.a. (ii) E.I. tanned sheep skins—0.87 lakhs Nos. p.a. (iii) wet blue chrome goat skins—32.00 lakhs Nos. p.a. (iv) wet blue chrome sheep skins—2.30 lakhs Nos. p.a.(COB).

LETTERS OF INTENT

Metallurgical Industries

M/s Industrial Development Corporation of Orissa Ltd; P. Box No. 78, Bhubaneswar. (Orissa)—1. sponge iron —1,00,000 tonnes p.a. 2. steel billets—80,000 tonnes per annum. (NA).

Electrical Equipment

Mr. Jaswant Worah, M/s Eastern Electronics Co.; c/o K. Worah & Co., Pvt. Ltd, Post Box No. 45, P.O. Jharia, Dist. Dhanbad. (Bihar)—i. variable capacitors—0.6, (ii) trimmers—1.0 per annum. (NA); M/s Crompton Greaves Ltd; 1-Forbes Street, Bombay.(Bombay Maharashtra)—electric ceiling fans—upto 163,000 Nos. p.a. after expansion. (SE); M/s National Batteries Pvt. Ltd; 18, Jaimahal Exy. Bangalore-6. (Haryana)—1. automative batteries. 2. traction batteries, 3. stationary batteries, (i) 1,20,000 Nos, (ii) 10,000 Nos. (iii) 10,000 Nos. respectively per annum. (NU); M/s Kothari Batteries Ltd; Kothari Buildings, 20, Nungambakkam High Road Madras-34). (Baroda-Gujrat)—autuomotive batteries—1,00,000 nos. per annum on double shift basis. (NU); M/s Siemens India Ltd; 134-A, Dr Annie Besant Road, Worli, Bombay. (Bombay-Maharashtra)— electro-medical equipment (complete X-ray Units)—344 nos. value at Rs 90 lakhs per annum. (after expansion). (SE); Mr. N.K. Vedi, B-14, Maharani Bagh, New Delhi-20. (Bahadurgarh-Haryana)—(a) Automatic Batteries. (Lead Acid Type)—1.2 lac Nos. p.a. (b) traction batteries—0.10 lac Nos. p.a. (c) stationary batteries—0.10 lac nos. p.a. (On double shift basis). (NU); Shri D.D. Lakhanpal, 29, New Queens Road, Bombay-4. (Maharashtra-Gujarat)—tunning indicators—10 million Nos. p.a. (NU); M/s Battery (I) Ltd; (Brig. N.S. Bhagat), 14-A, West End, New Delhi-23. (Ghaziabad-Uttar Pradesh)—(a) automotive & signal batteries 1,20,000 Nos. p.a.(b) stationary batteries cells—10,000 Nos. p.a. (c) traction batteries—10,000 Nos.(NU); Electronics Corpn. of India,I ndustrial Development Area, Chelapatti, Hyderabad(Andhra Pradesh)—(i) High Meghon Resistors— one millionNos. p.a. (ii) Resistance Temperative Detectors—1,500 Nos. p.a. (iii) closed circuits TV—50 Nos. p.a. (iv) microwave test equipments & sytems—1200 Nos. p.a., (v) transistorised village T.V. receiving sets with front & convertors & antennas—5,000 Nos. p.a. (NA); (b) (i) servo & micro motors—24,000 Nos. (ii) instrument cooling fans—24,000 Nos. (iii) semiconductor devices — 10 million Nos., (iv) radiation detectors—100 Nos. (v) thermoelectric devices—5,000 Nos., (vi)germanium single crystals—200 kgs., (vii) silicon single crystals—500 kgs. (viii) glass-to-metals seals—2.5 million, (ix) expitoxial wofers—30,000 Nos. per annum. after expansion. (SE); M/s Standard Batteries Ltd; Vakola Santacruz, Bombay-55, AS. (Vakola, Bombay—Maharashtra)—marine duty special cells—2 Nos. (about 1,000 cells) (NA);

Telecommunications

Mr. Umedray Worah, Bihar Components Manufacturers, c/o M/s K Worah & Co. Pvt. Ltd; 135, Canning Street, Calcutta-1. (Bihar)—(i) carbon film resistors—20.0 million Nos p.a., (ii) Potentionmeters—1.2 million Nos. p.a. (NU)

Transportation

Shri V. Satyanarayana, 17, Strotten Muthiah Mudali Street, Madras-1. (Mysore - Mysore)—scooters—24,000 Nos. per annum. (NU); Shri Ramlal N. Trivedi, 66, Kanaiah Naidu Street, T-Nagar, Madras-1. (Ambattur-Tamil Nadu)—scooters—24,000 Nos. per annum (NU) M/s Rajasthan State Industrial & Mineral Development Corporation, 100, Jawaharlal Nehru Marg, Jaipur-4.(Alwar-Rajasthan)—scooters—24,000 Nos. per annum. (NU); M/s Janta Sahakari Samiti, B-5/6, Industrial Estate, Jodhpur. (Jodhpur-Rajasthan)—scooters—24,000 Nos. per annum. (NU); Shri P.V.Ramaniah (Alian Raja), 186, Govindappa Naick street, Madras -1. (Vijayawada-Andhra Pradesh)—scooters—24,000 Nos per annum. (NU): Shri Jagdish Prasad, Tej Bahadur Sapru Marg, Lucknow. (Lucknow-Uttar Pradesh)—scooters—24,000 Nos. per annum. (NU); M/s Ghatge Patil Industries,Pvt. Ltd; Uchagaon, Kolhapur.(Uchagaon-Maharashtra)—scooters —24,000 Nos. p.a (NU) M/sIn sow Auto Limited, 19-A, Jawaharlal Nehru Road, 1st Floor, Leslie House, Calcutta-13. (Sandila—Uttar Pradesh)—light commercial vehicles. (1—3½ tonner)—12,000 Nos. per annum. (NU); M/s P. Venkata Rao, 85, Varadaruthiappan Street, Madras. (Berhampur-Orissa)—scooters—24,000 Nos per annum. (NU) Sahney Steel & Press Works Pvt. Ltd; 27, Kirol, Near Vidyavihar Station, Bombay-86. (Bombay-Maharashtra)—flywheel mangnetos—1,00,000 Nos. per annum. (NA) M/s Dass Hitachi (P) Ltd; 21-A, Janpath, New Delhi-1. (Ghazaiabad-Uttar Pradesh)—flywheel magnetos—60,000 p.a. (NA); Shri B.C. Desai, 'Matruchhaya', Ashoknagar, Kandivoli East, Bombay-67. (Ahmedabad-Gujarat)—oil seals—25 lakh Nos. per annum. (NU); Shri H.M. Dhawan, 45/54, Gaya Prasad Street, Kanpur. (Kanpur—Uttar Pradesh)—gaskets—75,00,000 Nos. per annum. (NU); Shri Sharad C. Patel, Shruti, 11, Nutan Bharat Alkapuri, Baroda-5. (Baroda-Gujarat)—flywheel magnetos—1,00,000 Nos. p.a. (NU) M/s Indian Pressing Company, 10, Esplanade Road, Delhi-6. (Ghaziabad-Uttar Pradesh)—flywheel magnetos—100,000 Nos. p.a. (NU).

Industrial Machinery

M/s Widia (I) Ltd; 8/9th Mil. Tumkur Rd; Bangalore. (Bangalore-Mysore) — hard metal products including tungsten carbide products—48 tonnes per annum, after expansion. (SE); M/s L.G. Khosla & Co. Pvt. Ltd; 1, Deshbandu Gupta Road, New Delhi-55. (Haryana) — air & gas compressor of above 100 c.f.m. upto 4500 c.f.m. not exceeding 10 atm (140 Psi)—60 Nos. p.a. (SE).

Machine Tools

M/s Wellman Incandescent India Ltd; 8, Harringon Street, Calcutta-16. (Howrah — West Bengal) — industrial furnaces & allied equipment. (SE); M/s New Bemco Engg. Products Pvt. Ltd: Udyambag Industrial Estate, P.O. Udyambag, Belgaum (Belgaum - Mysore) —injection moulding machines. (Thermoplastics)—50 Nos. Rs 50 lakhs) per annum. (NA); M/s Maya Agencies, Merchant Chamber, 4, New Marine Lines, Bombay-20 BR. (Thana-Maharashtra) (i) rotary Plastics & rubber injection moulding machines-

either 12 big or 24 small machines p.a. (ii) moulds for production of plastic and rubber foot-wear-192 pair p.a. (NU);

Agricultural Machinery

M's Premier Irrigation Equipment Pvt. Ltd; 3, Netaji Subhas Road, Calcutta-1. (Punjab/Mysore/UP/Maharashtra)—agricultural tractors. (David Brown)—90 of 55 BHB—5,000 Nos. per annum. (NU); M's Kemal Tractor & Engg. Enterprises, 'Al Riaz', Hyderabad.(Hyderabad—Andhra Pradesh) —agricultural tractors. (guldner tractors)—13,25,35,45 H.P.—10,000 Nos. per annum. (NU); M's Bharat Earth Movers Limited, Bangalore-17. (Kolar Gold Field-Mysore)—tractor shovels of 1.5 to 3 cubic yards-125 Nos. per annum (NA); M's Bharat Industries & Commercial Corporation, Tower House, Chowringhee Square, Calcutta-1. (Bharatpur-Rajasthan)—agricultural tractors. (UEI-45 (45HP)—10,000 Nos. per annum. (NU); M/s Automobile Products of India Ltd; Lal Bahadur Shastri Marg, Bhandup, Bombay-78. (Uttar Pradesh) — agricultural tractors—(BMC-4'25 (25HP) —12,000 Nos. per annum. (NU); Rajasthan State Agro-Industries Corpn. Ltd; Virat Bhavan, Prithvi Raj Raod, Jaipur-5. (Rajasthan) — agricultural tractors 'Ronault' (45HP)—5,000 Nos. per annum. (NU); Punjab State Industrial Development Corpn. Ltd; Chandigarh. (Mohali, Chandigarh-Punjab)—'Swaraj' (20 & 30 HP) tractors—12,000 Nos. per annum. (NU); M/s Escorts Ltd; 18'4, Mathura Road, Faridabad (Haryana). —agricultural tractors—(25-35 HP) expansion from 7,000 to 16,000 per annum. (SE);

Engineering Industries

M's Sesh-Alloy Pvt. Ltd; 23, Dr Hegde Road, Madras-34. (Ambatur-Tamil Nadu)—(i) cast tools for forging industry, 70 tonnes (Rs 22.40 lakhs), p.a. (ii) cast tools for plastic mould industry—25 tonnes. (Rs 10 lakhs) p.a. (iii) cast cutting tools — 25 tonnes (Rs 12.50 lakhs) p.a. (iv) cast tools for other industries—25 tonnes (Rs 8.75 lakhs) p.a. (NU); M's Anglo American Marrine Co. Ltd; Boat Hard Road, Coal Bunder, Bombay-10, (Bombay-Maharashtra)—1. geer hobs-12,000 Nos. 2. gear shopping cutters—12,000 Nos. p.a. (NA); Shri R.N. Bose, 228, Jor Bagh, New Delhi. (Thana-Maharahstra)—(i) taps & dies—3,60,000 Nos. (ii) chasers—1,44,000 Nos. (iii) milling cutter—36,000 Nos. per annum. (NU); M/s Anil Steel & Industries Ltd; 27-A'4, Kanti Chandra Road, Bani Park, Jaipur. (Jaipur-Rasjasthan)—1. bow saws-5,00,000 pieces. 2. bow saw blades—30,00,000 pieces per annum. (NA).

Scientific Instruments

M/s Phillips India Ltd; Shivasagar Estate, Block 'A' Dr Annie Besant Road, Worli, Bombay-18. (Bombay-Maharashtra)—nullindicators-2 lakh Nos. p.a. (NA).

Mathematical Instruments

Mr. V.N. Nevatia, Kamal Mahal, Flat No. 11 Carmichael Road, Bombay-26. (Bombay-Maharashtra)—Precision measuring tools—1,50,000 pieces per annum. (NU).

Fertilizers

M/s Tata Chemical Ltd; Bombay House, Fort, (Mithapur-Gujarat)— (a) triple super phosphate diamoniumphosphate—300,000 tonnes p.a. (b) ammonia —210,000 tonnes per annum. (c) urea—200,000 tonnes per annum, (d) ammonium chloride—180,000 tonnes p.a. (NU);

Chemicals

M/s The Bharat Vijay Mills; Kalol-Gujarat, (Gujarat)—thermoplastic powder moulding—5,000 pieces per annum. (NA); Punjab State Industrial Development Corpn. Ltd; United Commercial Bank Building, (3rd Floor), Sector-17-B Chandigarh. (Amritsar-Punujab)—polyester staple fibre—6,000 tonnes per annum. (NU); M/s Asian Paints (I) Pvt.. Ltd; 'Nirmal', 5th Floor, Nariman Point, Bombay-1. (Bhandup & Taloja-Maharashtra)—annual capacity after expansion at bhandup) Taloja). 1. paint & enamels—9720 tonnes and 1260 tonnes. 2. varnished & blacks—32,55,000 litres, and 4,27,000 litres. (SE); M/s Raghunand Chemical Industries Pvt. Ltd; Mustafa Building, Sir PM. Road, Bombay-1. (Maharashtra)—bisphenol—600 tonnes per annum. (NA & SE); Shri Rameshankar Bajoria, C-57, Maharani Baug, New Delhi-14. (Haryana)—(i) paints, enamels & varnishes—1,000 KL per annum. (ii) synthetic resins—1,000 tonnes per annum. (NU); M s Enterprise & Management Pvt. Ltd; 10, Bell Building; Sir Phirozshah Mehta Rd. Fort, Bombay-1. (Maharashtra)—(i) optical whiteners for synthetic fibres—150 tonnes per annum. (NA); M/s Aniline Dyestuffs & Pharmaceuticals Pvt. Ltd; 22, Bhulabhai Desai Rd; Bombay-25. (Maharashtra)—optical whiteners for synthetic fibres—50 tonnes per annum. (NA); M/s Travancore Electro-chemical Industries Ltd; Das Chambers, 3rd Floor, 25, Dalal Street, Bombay-1. (Kerala)—calcium carbide—15,000 tonnes after expansion (SE).

Drugs & Pharmaceuticals

M/s India Drugs & Pharmaceuticals Ltd; N-12, South Extension, Part-I, New Delhi-49. (Andhra Pradesh)—1. methylester of benzene sulphonic acid 195 tonnes p.a. (2) analgin—105 tonnes p.a. (after expansion, 3. sodium bisulphite as 38%—1,400 tonnes after expansion p.a. (NA); M/s Hico Products Ltd; Mogal Lane, P.B. No. 6467, Bombay-15.DD. (Maharashtra)—Bisphenol—(Six hundred tonnes per annum). (NA); M/s Amar Dye Chem. Ltd; Rang Udyan, Sitladevi Temple Road, Mahi, Bombay. (Maharashtra)—optical whiteners—expansion from 50 tonnes to 150 tonnes. (SE); M/s Andhra Sugar Ltd; PB No. 2, Venkatarayapuram Taluka, West Godavari Dist; (Andhra Pradesh) — aspirin—500 tonnes per annum. (NU).

Paper & Pulp

M/s Suraj Industrial Packing Limited; Sriniketan, Gurdwara Road; Lucknow. (Mailani-Uttar Pradesh)—Newsprint, writing & printing paper and rayon grade pulp or paper grade pulp—60,000 tonnes; 30,000 tonnes; 30,000 tonnes; 50,000 tonnes;respectively; M/s Ashok Paper Mills Ltd; c/o Director of Industries Assam, Shilong. (Two Units: (i) Tehsil Jogishopa-Assam. (ii) Tehsil Rameswarnagar-Bihar)—(a) pulp—36,000 tonnes per annum. (b) writing & printing paper—27,000 tonnes p.a. 2nd Unit, (a) rag pulp—4,500 tonnes p.a., (b) speciality papers —13,500 tonnes p.a. (NU).

Food Processing

Shri Shamsher Singh, c/o Air Commodore J. Chandra (Retd.), 37/15, Ulsoor Road, Bangalore-1. (Bangalore-Mysore)—(i) tomato juice—2,000 tonnes p.a., (ii) tomato puree—450 tonnes p.a.; (iii) pineapple juice, 1,600 tonnes p.a. (iv) sterile presserve of (a) pineapple—5000 tonnes p.a., (b) peas—1,500 tonnes p.a., (c) tomato—1,000 tonnes p.a., (v) dehydrated fruits—550 tonnes p.a., (vi) dehydrated vegetables—880 tonnes p.a. (NU); M/s Mysore Snack Foods; 19, Platform Road, Bangalore 23. (Bangalore-Mysore)—high protein snack foods—1,500 tonnes per annum. (NU).

Rubber Goods

M/s South India Exports Pvt. Ltd; 5, Mclean Street, P.B. No. 87, Madras. (Mysore)—automobile tyres & tubes —3 lakh Nos. per annum. (NU); Shri Jaswant Worah,c/o M/s K. Worah & Co. Pvt. Ltd; P.B. No. 45, P.O. Jharia. Dhanbad (Bihar). (Madhya Pradesh)—automobile tyres & tubes—3 Lakhs Nos. per annum. (NU); M/s Ruby Rubber Works Ltd; Rubynagar P.O., Changanacherry, Kerala. (Walayar-Kerala)—automobile tyres & tubes—3 lakhs Nos. per annum. (NU).

Cement

Shri Jal Nariman, F.I., Mafatlal Park, B. Desai Road, Bombay-26. (Thana-Maharashtra)—high pressure asbestos jointings — 440 tonnes per annum. (NU).

Cigarettes

Shri Krishna Mohan Goel, P-7, Mission Row Extn., Calcutta-1. (Billimora-Gujarat)—cigarettes— 4,500 million pieces per annum (NU); Shri M.V. Rao, 41, Third Main Road, Ghandinagar, Adyar, Madras-20. (Tamil Nadu)—cigarettes—4,500 million piece par annum. (NU).

Changes in the names of owners/undertakings

(Information pertains to particular licences only)

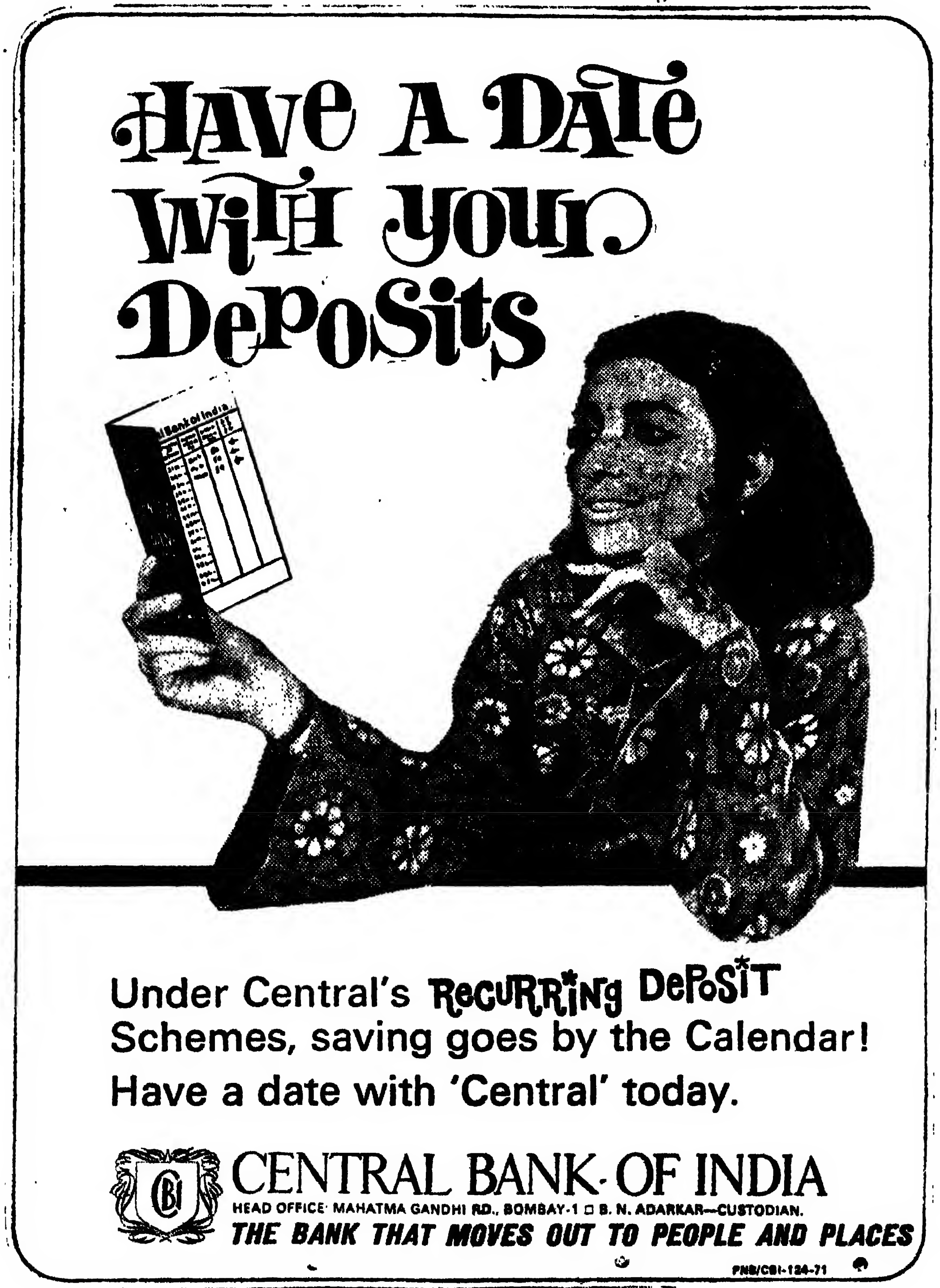
For M/s Binny Engineering Works

Ltd, Madras to M/s Binny Limited Madras. For M/s Nagpal Petro-chem Refining Ltd to M/s Nagpal Ambadi Petro-Chem Refining Ltd., Bombay. For Mr C.J. Revel, Tellicherry, Kerala. to M/s Southern Reneers & Woodworks Pvt. Ltd, Pollibetta—Coorg, Mysore. From Imperial Tobacco Company Ltd. to India Tobacco Co. Ltd., Madras. For M/s Crown Timber and Foods Pvt. Ltd to M/s Indo Bulgar Foods Prop: Crown Timber & Food Pvt. Ltd. For M/s Imperial Tobacco Co. of India Ltd to India Tobacco Co. Ltd. For M/s Sassoon Spg. & Wvg. Co. Ltd. to M/s Mafatlal Fine Spg. & Mfg. Co. Ltd., Bombay.

Licences Revoked or Surrendered

(Information pertains to particular licences only)

Mr S. Sen Gupta 3, Cemac Street, Calcutta-16. Mobile Cranes; M/s Escorts Limited New Delhi, Intensifying and Fluoroscopic Screens for X-Ray Equipment. M/s Alkali and Chemical Corporation of India Ltd, Calcutta. chlorinated paraffin. M/s K.T. Rolling Mills Pvt. Ltd., Bombay. Wire Rods. M/s North Gujarat Cotton Mills Sidhpur (Gujarat) Cotton Yarn. M/s Himco (India) Private Ltd, Bombay. Industrial Relays. M/s Iynx Machinery Ltd, 10, Clive Road, Calcutta-1. Flexible Shaft Machines. M/s Onichem Laboratories Ltd., Bombay. Dental Products. M/s The Chittoor Co-operative Sugar Ltd., Chittoor, Andhra Pradesh. Sugar. M/s Killick Industries Ltd, New Delhi. Engineers Steel Files and Rasps.



COMPANY MEETING

DUNLOP INDIA LIMITED

Chairman, Mr. R.G.S. Nairn's Review

The following is the address by the Chairman, Mr. R.G.S. Nairn, at the 45th Annual General Meeting held on April 19, 1971, at Calcutta.

I have pleasure in welcoming you to the 45th Annual General Meeting of the Company.

As the Directors' Report and Accounts for the year ended 31st December, 1970, have been in your hands for some time, I should like, with your permission, to take them as read.

The Year's Trading

Total sales increased by 8% over 1969 to Rs. 87.71 crores.

Once again the demand for nearly all our products was in excess of our production capacity. In the case of automotive tyres, the position was aggravated by the dislocation of production in some other tyre manufacturing units, which resulted in a shortage of truck and rear tractor tyres in the second half of the year. This situation was rectified in conjunction with the other members of the Automotive Tyre Industry. Despite overall cost increases, the Automotive Tyre Industry voluntarily reduced the replacement market prices for truck and rear tractor tyres by 0.75% with effect from 1st January, 1971, in order to create an atmosphere in which these tyres could become available at fair prices. I am pleased to tell you that these measures have had the desired effect. The Tyre Industry also reduced the Defence prices for truck tyres by 0.75% with effect from 1st January, 1971.

During the period of shortage, your Company naturally had to give priority to supplies for Defence and State Transport organisations to enable them to keep their fleets operational, and to vehicle manufacturers to maintain their programmed production. However, due to the shortage of Industry capacity for rear tractor and earthmover tyres, agricultural tractor and earthmoving machinery manufacturers were not able to obtain their full requirements. We are doing everything possible to expand output of these tyres.

The demand for nylon truck tyres continued to increase in the domestic market. However, Industry production could not keep pace after meeting export commitments, due to the insufficient availability of nylon tyre cord, all of which is imported. It is important that indigenous production of nylon tyre cord becomes available as soon as possible and. in the meantime larger imports should be permitted.

The total sanctioned capacity of the existing automotive tyre manufacturers is 52 lakhs; a Letter of Intent for 4,00,000 tyres was issued to a new unit in 1969 making a total of 56 lakhs. However, some of this capacity is unlikely to become available until 1974-75.

Experience has shown that due to labour problems, shortage of electricity, dislocation of transport and similar problems, a maximum of 90% of the Industry capacity has been utilised in any year. On this basis, in 1973-74 the effective Industry capacity is likely to be reduced to about 50 lakhs tyres compared with an estimated demand of 75 lakhs tyres. The demand could increase to about 80 lakhs tyres in view of the more intensive utilisation of vehicles as a result of increasing industrial and agricultural activity, and if some of the new vehicle manufacturing projects materialise.

These facts and the recent tyre shortage once again highlight the need for a Government policy which will ensure that there is sufficient available capacity and actual production of automotive tyres and tubes to meet the growing demand of the domestic and export markets. This policy must ensure that Letters of Intent are implemented quickly. The reason for the serious tyre shortage which developed in 1968 was that four proposed new units which were granted Letters of Intent in the early 1960s for a total of 12 lakhs tyres did not implement their schemes and the Government had finally to revoke these Letters of Intent. A number of Letters of Intent have recently been issued to new units for a total capacity of 24 lakhs tyres. Based on past experience, it is likely to take a new manufacturer several years to implement a capacity of 3,00,000 tyres, which is now considered to be the minimum economic unit. On the other hand, an existing manufacturer with experience in implementing expansions and with the necessary technical and managerial skills, can achieve this within two years.

The Government should not, therefore, wholly rely on new units to meet the additional demand for tyres but should also permit expansion to existing manufacturers to make sure that the country is not short of a vital product. Your Company is ready to play its part in meeting the future demands of the country.

During the year, we continued our efforts to expand the Industrial Products side of our business and our two outstanding achievements were:—

1. A contract worth Rs. 1.5 crores with the Neyveli Lignite Corporation for the supply of special cotton/nylon conveyor belting. This is the largest contract ever to be placed in this country for conveyor belting.
2. Introduction of Metalastik rubber to metal bonded components for the Indian Railways, particularly a large mounting for diesel and electric locomotives.

Exports

In 1970, your Company achieved yet another record — our exports of all products crossed the Rs. 3 crore mark, which represents an increase of approximately 9% over 1969. This was achieved in the face of stiff international competition and was only made possible by the development of new markets, constant market research, product development and the continuous assistance which we receive from our U. K. Associates and their worldwide distribution organisation. A notable achievement was that our exports to the General Currency Area markets, where competition is most severe, increased by 36%.

Automotive tyre and tubes exports in 1970 were 11.6% of our production as against the guarantee of 10% which we have given to the Government. We consider this to be a very good performance for a non-traditional item. Dunlop India's automotive tyre and tube exports constituted 43% of the total exports of these products from India.

During the year, we developed ten new markets and introduced a special type of cycle tyre called "Slik" for the sophsticated American market, a new tyre design for earth-moving machines and two new types of cycle rims. Our cycle tyres greatly assist the exports of bicycles manufactured in the country; in fact, many overseas orders stipulate the fitment of Dunlop cycle tyres. Our

exports of cycle tyres and tubes were 77% of the total exports from the country.

It is our constant endeavour to maximise exports but our efforts have at times been handicapped by labour problems, strikes at the ports, irregular availability of shipping space and ever increasing freight rates. Recently, and without reference to the Industry, the export of nylon tyres to the U.A.R. has been banned for 1970-71 under a bilateral trade agreement with that country. Unless this ban is removed, our export efforts will be seriously affected, and the important U.A.R. market, which has been developed after much hard work, will be lost to the Indian Tyre Industry. It would be helpful if the Government were to consult the Industry and take us into its confidence when such agreements are negotiated.

Our export efforts are also dependant very largely on our ability to produce and supply goods at competitive prices. Duty drawback rates have a significant influence and have been suddenly reduced in the past. These are at present once again under review and it is hoped that the rates will not be reduced again; if they are, we may not be able to quote competitive prices. It should be appreciated that with such uncertainties, we are not always able to quote prices for delivery in the future which is a normal characteristic of export business.

Cash subsidy rates should also be established at levels which will encourage exports. We are still losing substantial amounts on our export business.

If such difficulties are not overcome soon, some enquiries for exports which are now being received will ultimately be diverted by the customers to other sources of supply. This will obviously affect our export achievements.

There is, therefore, an urgent need for the Government to establish long term policies to enable the exporter to plan well ahead to increase exports.

Costs

Costs have risen during the year mainly on account of increases in raw material prices. In the last two years, cotton prices have increased by nearly 50%, and since January 1971 they have risen by as much as 20%. This has necessitated increases in the selling prices for cycle tyres. An excise duty of Rs. 300 per tonne has been imposed on indigenous synthetic rubber and since November 1970 octroi had become applicable to all raw materials received at our Sahaganj factory. To these burdens must be added a substantial increase in wages, salaries and dearness allowance.

State trading agencies are now taking an active part in procuring and supplying some of our major raw materials. The State Trading Corporation, for the first time, has commenced purchasing indigenous natural rubber in order to relieve the burden of high stocks with the small growers. We are glad that the rubber purchased by the S.T.C. is available to the Industry at the controlled prices. However, certain other raw materials, such as nickel and titanium dioxide, which have now been canalized through State organisations, cost considerably more than they did when we were able to obtain these materials through direct imports.

Production

Tyre production at our Sahaganj factory was approximately the same as in 1969 with the exception of cycle tyres, which were badly affected by labour difficulties. Consequently, the shortage of Dunlop cycle tyres increased in the dometsic market and our export deliveries were badly affected.

Industrial Products output at Shahaganj was satisfactory except for bicycle rims, which suffered severely from the shortage of steel rim strip; this has created difficulties for some of the bicycle manufacturers. Although the import of some rim strip has been permitted by Government, we are still short and there may be further interruptions in the production programme.

Production at the Ambattur factory increased significantly due to the completion of a part of our expansion programmes which will be finished in 1971 and fully effective in 1972. Automotive tube production commenced at Ambattur during 1970. Production of bicycle rims, against the licence for 15 lakhs rims, will commence at Ambattur in 1971.

In accordance with Government directives, we are doing everything possible to maximise production at both factories in order to avert any possible shortages in the future.

Product Development

The Company's products continued to enjoy the highest reputation for quality and service during the year.

In keeping with our policy to bring to our customers improved products of latest designs, we have been evaluating modern patterns in the truck tyre range and the benefits will become apparent to consumers with the introduction of new truck tyres during 1971.

In 1970, we introduced a premium cycle tyre, the "Dunlop Goldseal". This very modern design of tyre is already manufactured in several factories in the Dunlop Group. We expect that it will play an important role in assisting bicycle exports and in developing cycle tyre exports. and will also find its place as India's top quality cycle tyre.

We continued to develop new tyres for the latest civil and military aircraft operating in India and it is our intention to try and make the country self sufficient in aero tyres. During the year, we also became the first manufacturer in India to produce tyres for industrial forklift trucks.

These developments and many others have only been possible as a result of the continuous technical assistance that we receive from our U.K. Associates supplemented by local development work. Our new Technical Aid Agreement, which was submitted to Government at the end of 1969, has not yet been finalised. I am pleased to tell you that Dunlop Limited has been continuing to give us technical assistance during 1970 in the belief that the Government will appreciate the need for us to continue the purchase of technical know-how on a reasonable cost sharing basis.

Tyre technology is continuously changing and the tyre that we make today is very different in terms of design, raw materials and construction, to the one made only a few years ago. Although we have always carried on development work in India to adapt some of the know-how to suit local conditions, it is not possible or practicable for our Company to duplicate the research and development work carried out by our U.K. Associates as the resources required are enormous and completely beyond our capacity.

I have mentioned earlier the very important plans for increasing exports. Success in this field is dependant on our ability to continue the manufacture of products which are fully competitive in international markets in design, quality and performance. The tyre industry throughout the world is in the throes of a technological revolution brought about by new developments in vehicle design, increasingly stringent safety requirements and development of new synthetic polymers and fibres. New tyre designs are gradually replacing conventional constructions; steel, nylon, ployester and other materials are becoming increasingly important in tyre production. We must therefore, be permitted to keep continuously up to date with these developments not only to compete successfully in the export markets but also to bring the benefits of the latest developments to our domestic customers.

It is important to see this point in the right perspective bearing in mind that the total production of automotive tyres in India is less than 1% of the world production. However, for some products, such as cycle tyres, where the volume of production reaches a sufficiently high level, local research and development work can be undertaken. Our U.K. Associates have proposed that we undertake this work and sell

technical know-how to other cycle tyre manufacturers in the Dunlop Group thereby earning valuable foreign exchange for the country.

Diversification

We are always seeking opportunities for diversification into product fields, which are capital intensive and require sophisticated technology. In view of the increasing need for such new and modern products in the country, we feel that we can play an important part, and we have submitted an application to Government for the manufacture of steel cord conveyor belting, which is essential for iron ore and lignite mining.

There is an urgent need to increase the manufacturing capacity for conventional rubber conveyor belting, and fan and vee belts. By 1973, there will be a substantial shortfall and imports are currently being allowed to augment indigenous production. We, therefore, hope that the Government will take urgent steps to licence additional capacity to existing manufacturers who are in a position to implement expansions quickly and to offer a technologically competent product to the market.

Our Letters of Intent for golf and tennis balls are still under negotiation with the Government.

Personnel

Despite the unsettled conditions, employee relations have remained generally good during the year. In 1970, we concluded negotiations and signed a new five year agreement covering the engineering operatives at our Sahaganj factory in West Bengal.

The agreements covering the production operatives and staff at the Sahaganj factory, and the staff at the Head Office and the District Offices throughout the country, expired at the end of the year. New agreements are now being negotiated and we hope to finanlise them in the near future.

From its inception, the Company has adopted progressive methods and techniques with a view to improving the welfare and conditions of service of all employees. However, it must be remembered that there are limitations and the ultimate welfare of the employees depends upon the continuing prosperity of the Company.

Our training programmes for personnel at all levels continue to make good progress. Consistent with the Conpany's policy to keep pace with the technological changes and to improve managerial efficiency, new training programmes were developed and introduced.

Profit & Loss Account & Balance Sheet

The financial results for 1970 have already been covered in the Directors' Report, but there are a few points that I would like to make.

As you will have noticed from the accounts, the main feature of the year's trading is that the significant increase in income yielded very little by way of additional profit. The major reasons for this were increased raw material and personnel costs and higher depreciation charges. Another contributory factor was increased interest charges reflecting the higher level of bank borrowings which were needed to finance additional raw material stock holdings, particularly natural rubber and textiles. These increases more than offset the significant reduction in accounts receivable, which have been achieved through our continued efforts to make the optimum use of all available liquid resources.

Once again, your Directors have taken into account the substantial cash requirements needed to finance your Company's expansion plans. Accordingly, they propose to maintain the ordinary dividend at 20% for the year, the same as for 1969 and retain the balance of available profit amounting to Rs. 1,65,99,000 by transferring this amount to general reserve.

Capital expenditure in 1970 was Rs. 3.20 crores. In addition, commitments for capital expenditure at 31st December, 1970, amounted to Rs. 5.67 crores. Expenditure includes the implementation of the industry licence received in December 1967 to increase the Company's automotive tyre and tube capacity by 1,35,600 units and 1,24,800 units per annum respectively. Also included are commitments made against the industrial and capital goods licences received in 1969, for the automotive tyre and tube and bicycle rim expansions at the Ambattur factory, and for the replacement of old equipment at the Sahaganj factory.

The major part of the expenditure on the current expansion plans will be met from the Company's own resources. However, additional finance of approximately Rs. 2, crores will be required and an application has accordingly been made to the Controller of Capital Issues for the issue of 15,00,000 Ordinary Shares at a premium of Rs. 4 per share to members in the ratio of 3 new Ordinary Shares for every 20 Ordinary Shares held. The proceeds of the proposed issue will be Rs. 2.1 crores.

The Board

Mr. J.A. Moore relinquished his appointment as Managing Director during the year on retirement after long and distinguished service with the Company. I am sure you will join me in wishing Mr. Moore a long and happy retired life.

Mr. Sachin Chaudhuri also retired from the Board. I would like to take this opportunity of thanking him on your behalf for the wise counsel that he has given us and for the great interest that he has always taken in the Company.

Mr. K. Padmanabhan also retired at the end of the year. Here again I would like to take this opportunity of thanking him for him many years of devoted and loyal service to the Company.

Mr. J.R. Scott retired from the Board during the year on taking up an appointment with Dunlop Limited, U.K. and Mr. C.J.T. Blease took over from him.

We have now re-organised our executive management team with the appointment of four new wholetime Directors. These are Mr. R.N. Basu, Director Accounting, Mr. N.S. Bedi, Sales Director Industrial Products, Mr. R.M. Bhandari, Director Administration and Industrial Relations and Mr. L.J. Tompsett, Sales Director Tyres.

I am sure you will join me in extending a warm welcome to the new Directors.

Future Prospects

Our diversification plans, which I have already mentioned, are designed to broaden the base of the Company's manufacturing activities.

We hope that we will be permitted to have a share of the expansion of the Automotive Tyre Industry, and we have submitted an application to Government for permission to establish a new factory with an initial capacity of 3,00,000 automotive tyres and tubes in Goa, which is an industrially underdeveloped area. In keeping with our policy of forward planning, we have already purchased some land. We hope that this application will be considered favourably, particularly in view of our creditable export performance, a good record of supplies to Defence and vehicle manufacturers and our progressive manufacturing and development policies.

Under the Monopolies and Restrictive Trade Practices Act, your Company can be considered a dominant undertaking. This is so only because according to the Act the basis for calculating market share is the actual production and not the licenced capacity. In 1970, our share of the Automotive Tyre Industry's production was approximately 38%. Our licenced capacity, on the other hand, is only 28% of the total capacity sanctioned by Government to the Industry. It will thus be seen that loss of production in other units and the extent to which they have implemented licenced expansions can actually determine whether an undertaking is dominant or not.

As mentioned earlier the expansion of the Company's Ambattur factory is making good progress. Given stable conditions, your Company will continue to grow and we face the future with confidence and optimism.

In conclusion, I should like to thank all our employees for the efforts they have made during 1970 towards the progress of the Company.

Note: This does not purport to be a record of the proceedings of the Annual General Meetings.

RECORDS AND STATISTICS

101 Toppers in Private Sector*

THE TOP 101 public limited companies in the corporate sector have been selected on the basis of their size of paid-up capital during 1969-70. Government companies, banking, insurance and other financial and investment companies and associations not functioning for profit and companies limited by guarantee have been excluded. TISCO occupies the first rank with paid-up capital of Rs 49.98 crores and West Coast Paper Mills Ltd, with paid-up capital of Rs 2.90 crores is the lowest, enjoying tenth position. The financial data, viz., paid-up capital, reserves and surpluses, assets, gross sales, main income, profits, etc., in respect of these 101 companies for the year 1969-70 and 1968-69 have been presented in Table VI at the end.

The financial position in aggregate terms of these 101 toppers is given in Table I.

It will be observed that paid-up capital formed 25 per cent of the total assets and reserves and surpluses formed roughly 19 per cent of the total assets. Total sales or main income constituted 93 per cent of the total assets and income-tax provisions constituted 36 per cent of the profits before tax. The position during the two years under review was more or less identical.

Industrial Composition

These 101 toppers have been classified according to their predominent line of business activity. The maximum number of companies amongst these toppers were engaged in chemical industry and accounted for the highest amount of paid-up capital and assets of these 101 toppers. The paid-up capital of chemical companies formed 18.8 per cent of the total paid-up capital, and 16.9 per cent of the total assets of these 101 toppers. Next in importance were iron and steel companies which though numbered five only but were responsible to the extent of 13.5 per cent of the total of assets of this group of companies. Engineering companies numbered 11 and accounted for 9.4 per cent of the paid-up capital and 10.8 per cent of the total assets of this group.

*Prepared by Research and Statistics Division of the Department of Company Affairs.

The industry-wise details of these 101 toppers are given in Table II.

Management Pattern

The analysis of management pattern of these 101 companies reveals that as on 31-3-1970, 44 of them were managed by managing agents, 41 by managing directors, 14 by board of directors and 2 by general managers. The details of management pattern are shown in Table III.

TABLE III

MANAGEMENT PATTERN

Management set-up	No. of companies
Managing Directors	41
Managing Agents	44
Board of Directors	14
General Managers	2
	101

It may be mentioned that the managing agency system came to an end on April 3,1970, by the Companies Amend-

TABLE I

FINANCIAL AGGREGATES OF 101 TOPPERS

(Rs crores)

Financial Indicator	1969-70	1968-69
(i) Paid-up capital	707	655
(ii) Reserves and surpluses	532	482
(iii) Profits (before tax)	221	171
(iv) Sales main income	2618	2303
(v) Assets	2815	2600
(vi) Income-tax provision	80	70
(vii) Item (i) as percentage of item (v)	25.1	25.2
(viii) Item (ii) as precentage of item (v)	18.9	18.5
(ix) Item (iv) as percentage of item (v)	93.0	88.6
(x) Item (vi) as percentage of item (iii)	36.2	40.9

TABLE II

INDUSTRIAL COMPOSITION OF THE TOP 101 COMPANIES

Industrial Activity	No. of units	PUC as % age of total	Assets as % age of total
Cotton textiles	7	6.1	8.3
Jute textiles	1	0.7	0.8
Rayon textiles	5	3.8	3.1
Woollen textiles	1	0.6	0.4
Iron & steel	5	13.5	13.3
Aluminium	3	4.5	4.6
Automobiles	5	5.1	5.8
Engineering	11	9.4	10.8
Mineral oils (petroleum)	4	3.8	2.9
Chemicals	21	18.8	16.9
Cement	7	7.1	6.4
Rubber products	2	1.9	1.8
Paper	7	4.2	3.8
Electricity	6	4.5	4.6
Wholesale trade	3	2.2	3.5
Shipping	2	2.3	3.5
Misc. industries	10	11.6	9.5
	101	100.0	100.0

ment Act, 1969. The managed companies are now switching over to alternate form of management. Management by board of directors or by managing directors appears to be more popular form though a smaller number have appointed whole-time directors or managers.

Financial Management Control

Sixty-nine of the 101 toppers belonged to one or the other of the 75 industrial houses as defined in the report of the Industrial Licensing Policy Inquiry Committee. The industrial houses, thus, exercised control over these 101 toppers to the extent of 68 per cent in terms of paid-up capital and 70 per cent in terms of the assets of these 101 toppers. The Tata House exercised the maximum control. Ten of the 101 toppers with 15.5 per cent of total paid-up capital and 17.2 per cent of total assets belonged to Tata group. Birla House also controlled these toppers more or less equally as Tatas. Thirteen toppers with 10.9 per cent of total paid-up capital and 12.4 per cent of total assets belonged to Birla House. Affiliation of these 101 toppers to various industrial houses is shown in Table IV.

Financial Indicators

The main financial indicators of these 101 toppers have been analysed separately and are discussed hereunder:

(I) *Paid-up capital*: The total paid-up capital of all the 101 toppers amounted to Rs 707 crores and formed 36 per cent of the total private corporate sector. The paid-up capital of these 101 toppers increased by eight per cent over the previous year. In case of 70 companies the paid-up capital remained unchanged over the two years. Four companies, viz. Kirloskar Oil Engines Ltd, Madura Mills Ltd, Union Carbide Ltd and Great Eastern Shipping Co. Ltd doubled their paid-up capital and two companies, viz. Birla Jute Manufacturing Co. Ltd and Indian Explosives Ltd., increased their capital over 60 per cent during this period. Two other companies viz. Binnys Ltd and Glaxo Laboratories (India) Ltd, have recorded an increase of more than 50 per cent in the paid-up capital mainly on account of amalgamation.

(II) *Reserves and Surpluses*: The aggregate reserves and surpluses of 101 toppers amounted to Rs 532 crores and recorded an increase of 10 per cent over 1968-69. Thirteen companies were not able to set aside any portion of their earnings for future business as these companies were either incurring losses or have not earned sufficient profits. TISCO had the highest amount of reserve and surplus at Rs 52.7 crores and IISCO at Rs 40.9 crores. Seven other companies had reserves of more than Rs 15 crores during 1969-70.

(III) *Assets*: The total assets of 101 toppers aggregated to Rs 2815 crores as against Rs 2600 crores in the previous year. The Assets had, thus, increased by about eight per cent. TISCO again topped the list with total assets of Rs 181 crores followed by IISCO, TELCO and ACC in that order. Oil India occupied the fifth place and DCM sixth place with assets of Rs 87.5 crores and Rs 84 crores, respectively. Four companies recorded a significant rate of growth in their assets. South India Viscose increased its assets by 74 per cent, Lube India by 70 per cent, Indian Explosives by 65 per cent and Kirloskar Oil Engines by 58 per cent.

The total sales/main income of 101 toppers added to Rs 2618 crores as against Rs 2303 crores during 1968-69. This showed an increase of 14 per cent over the previous year.

TISCO occupied first place with total sales of Rs 148 crores followed by Indian Tobacco with Rs 145 crores. Hindustan Lever comes third with sales at Rs 109 crores followed by DCM TELCO, IISCO and Dunlop with respective sales of Rs 95 crores, Rs 91 crores, Rs 83 crores and Rs 82 crores in that order.

Profits (before tax) earned by 101 toppers aggregated to Rs 221 crores in 1969-70 and recorded an increase of 29 per cent over the previous year. There were 58 companies which earned profits of one crore of rupees and more in 1969-70 as against 53 companies in 1968-69, which earned this amount of profits. 69 companies showed an increase in profits while 22 companies recorded a fall. Nine companies incurred loss in 1969-70 and 19 companies during 1968-69. TISCO reported the highest profits at Rs 11.3 crores followed closely by Oil India with Rs 10.8 crores, Century Spinning with Rs 8.9 crores and Burmah Shell with Rs 8.1 crores. IISCO, India Tobacco, Gwalior Rayon, Dunlop. Hindustan Aluminium and Hindustan Lever made profits of Rs 7.9 crores, Rs 7.8 crores, Rs 7.7 crores, Rs 7 crores, Rs 6.5 crores and Rs 6.4 crores in that order.

During 1969-70, the 101 companies provided Rs 80 crores by way of income-tax provisions against Rs 70 crores in 1968-69.

During 1969-70, the 101 companies provided Rs 80 crores by way of income-tax provisions against Rs 70 crores in 1968-69.

Net profits after taxation stood higher at Rs 142 crores against Rs 102 crores in 1968-69. The first ten companies ranked on the basis of profits after tax are given in Table V.

TABLE V

FIRST TEN COMPANIES RANKED ON THE BASIS OF PROFITS AFTER TAX

Companies	Profits after tax (in lakhs of Rs)
IISCO	783
Hindustan Aluminium	646
TISCO	612
Oil India	574
Orient Paper	476
Indian Aluminium	466
Century Spinning	445
Burmah Shell	416
Dunlop India	416
Gwalior	404

The ploughed back profits amounted to Rs 67 crores in 1969-70 and were 72 per cent higher than the previous year's level of Rs 39 crores.

TABLE IV

CONTROL OVER THE 101 TOPPERS

Business group/house	No. of companies	% age control in terms of total PUC	% age control in terms of total tangible assets
1. Tata	10	15.5	17.2
2. Birla	13	10.9	12.4
3. Martin Burn	2	4.4	4.9
4. ACC	2	4.9	4.2
5. Shri Ram	1	1.7	3.0
6. Killick	2	1.7	1.6
7. Mahindra & Mahindra	2	1.0	1.3
8. Mafatlal	2	2.4	2.4
9. ICI	3	4.2	3.1
10. Kirloskar	1	0.7	1.1
11. Seshasyee	3	1.4	1.0
12. Bangur	3	1.5	1.3
13. Sahu Jain	2	1.4	1.1
14. Other business houses	23	15.9	15.5
15. Independent companies	32	32.4	29.9
	101	100.1	100.0

TABLE VI

HUNDRED AND ONE TOPPERS IN THE PRIVATE CORPORATE SECTOR

Name of Company	Year	Paid-up Capital	Reserves & Surplus	Net Worth	Borrowing	Total Tangible Assets	Gross Sales/Main Income	Profits before tax	Provision for Income tax	Profits after tax	Dividends Paid/ Proposed	Retained Earnings	Gross Fixed Assets	Net Fixed Assets	Misc. Expenditure
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1. ACG-Vickers-Babcock Ltd. (31)*	1969-70	6,54	(—)69	5,85	2,97	18,39	15,82	1,01	—	1,01	—	1,01	10,49	5,40	2,32
	1968-69	6,54	(—)1,70	4,84	4,65	18,18	8,89	(—)42	—	(—)42	—	(—)42	10,47	5,98	3,60
2. Ahmedabad Electricity Co. Ltd. (20)	1969-70	8,75	4,48	13,23	9,63	27,12	11,14	2,17	92	1,25	79	46	3,95	19,53	64
	1968-69	8,75	4,06	12,81	9,08	26,03	1,087	1,51	61	90	79	11	30,64	20,07	11
3. Ahmedabad Mfg. & Calico Printing Co. Ltd. (38)	1969-70	5,29	5,22	10,51	18,35	32,76	32,12	2,20	1,19	1,01	74	27	24,09	11,24	—
	1968-69	4,67	5,25	9,92	15,89	29,01	28,23	1,90	69	21	71	50	22,22	10,74	—
4. Alkali & Chemical Corpn. of India Ltd. (49)	1969-70	4,65	1,80	6,45	5,65	14,65	15,48	89	44	45	45	—	14,34	6,34	—
	1968-69	4,65	1,81	6,46	5,99	14,21	11,39	(—)27	—	(—)27	24	(—)51	14,23	7,23	—
5. Aluminium Industries Ltd. (78)	1969-70	3,54	(—)80	2,74	5,31	9,77	6,75	(—)78	—	(—)78	—	(—)78	6,04	4,01	1,19
	1968-69	3,46	(—)4	3,42	5,81	10,63	4,66	(—)1,27	—	(—)1,27	—	(—)1,27	5,65	3,86	14
6. Andhra Pradesh Paper Mills Ltd (64)	1969-70	4,00	32	4,32	8,73	14,24	7,39	89	—	89	—	89	10,28	10,18	6
	1968-69	4,00	(—)61	3,39	8,10	12,18	5,01	(—)16	—	(—)16	—	(—)16	9,56	9,56	67
7. Andhra Valley Power Supply Co. Ltd. (55)	1969-70	4,42	3,77	8,19	10,02	18,66	10,10	1,14	—	1,14	49	65	12,03	14,65	1,19
	1968-69	4,42	3,28	7,70	10,30	17,93	8,73	89	—	89	49	40	20,19	14,32	2,02
8. Andrew Yule & Co. Ltd. (98)	1969-70	2,96	70	3,66	1,90	8,24	4,35	43	18	25	24	1	2,13	1,01	—
	1968-69	2,96	53	3,49	1,22	7,14	3,82	49	24	25	24	1	2,08	1,05	—
9. Ashok Leyland Ltd (23)	1969-70	7,79	3,63	11,42	6,18	22,18	29,22	2,02	88	1,14	70	44	10,60	7,18	—
	1968-69	7,79	3,17	10,96	7,16	22,54	26,24	1,67	70	97	62	35	10,08	7,29	—
10. Associated Bearing Co. Ltd. (63)	1969-70	4,00	1,67	5,67	2,89	9,26	5,05	1,11	—	1,11	40	71	6,41	4,39	—
	1968-69	4,00	57	4,57	3,40	8,63	3,61	39	—	39	—	39	5,43	4,32	—
11. Associated Cement Cos. Ltd. (2)	1969-70	28,36	1,513	43,49	39,28	1,01,94	78,03	3,82	—	3,82	3,03	79	96,18	55,04	—
	1968-69	23,74	13,66	37,40	37,02	93,20	79,12	4,89	1,24	3,65	2,85	80	88,78	51,61	—
12. Atul Products Ltd (61)	1969-70	4,09	2,68	6,77	10,08	18,32	11,54	94	—	94	56	38	16,62	8,44	—
	1968-69	3,99	2,17	6,16	10,68	18,34	9,60	35	—	35	48	(—)13	15,83	8,68	—
13. Baroda Rayon Corpn. (48)	1969-70	4,78	2,77	7,55	86	8,75	6,74	1,25	—	1,25	38	87	10,20	5,98	—
	1968-69	4,78	1,91	6,69	2,05	9,03	6,57	1,33	—	1,33	38	95	10,10	6,53	—
14. Bayer India's Ltd. (97)	1969-70	3,00	2	3,02	5,03	8,61	5,77	56	—	56	—	56	6,66	5,16	1,19
	1968-69	3,00	(—)51	2,49	5,28	8,21	4,19	(—)29	—	(—)29	—	(—)29	6,34	5,33	1,64
15. Belpahar Refractories Ltd. (82)	1969-70	3,50	1,88	5,38	6	7,65	3,43	63	34	29	28	1	5,61	2,96	—
	1968-69	3,50	1,93	5,43	10	7,46	3,69	94	48	46	35	11	5,21	2,89	—
16. Binny Ltd. (27)	1969-70	7,06	3,97	11,03	5,93	32,58	40,00	61	—	61	43	18	25,58	10,38	—
17. Birla Jute Mfg. Co. Ltd. (41)	1969-70	4,98	7,45	12,43	5,30	21.62	27,71	3,06	1.10	1,96	44	1,52	22,74	9,89	—
	1968-69	2,98	7,85	10,83	6,52	20,89	25,26	1,63	54	1,09	38	71	21,51	10,10	—
18. Bombay Burmah Trading Corpn Ltd. (85)	1969-70	3,34	2,35	5,69	1,10	9,40	4,22	90	42	48	52	(—)4	5,30	3,05	—
	1968-69	3,34	2,41	5,75	1,05	9,65	3,70	1,14	61	53	48	5	5,33	3,17	—
19. Bombay Dyeing & Mfg. Co. Ltd. (76)	1969-70	3,61	3,47	7,08	9,51	19,61	23,11	50	6	44	43	1	19,63	5,87	—
	1968-69	3,61	3,47	7,08	9,70	20,08	23,70	48	8	40	43	(—)3	19,11	6,22	—
20. Bombay Suburban Electric Supply Ltd. (77)	1969-70	3,59	5,02	8,61	5,23	18,30	7,05	1.28	44	84	38	46	17,22	13,74	16
	1968-69	3,55	4,26	7,81	5,33	16,78	5,48	79	23	56	36	20	15,83	12,76	19
21. British India Corpn. Ltd. (62)	1969-70	4,06	1,90	5,96	3,57	11,32	10,21	64	—	64	—	64	4,07	1,26	—
	1968-69	4,06	1,48	5,54	3,80	11,28	1,077	(—)39	—	(—)39		(—)39)	5,50	1,76	—
22. Brooke Bond India Ltd (30)	1969-70	6,70	6,72	13,42	2,68	23,21	75,37	4,75	2,87	1,88	1,17	71	5,91	3,84	—
	1968-69	6,67	5,62	12,29	1,29	19,81	73,54	2,97	1,75	1,22	75	47	5,23	3,41	—
23. Burmah Shell Refincy Ltd (8)	1969-70	14,54	3,16	17,70	—	22,58	18,43	8,08	3,92	4,16	5,96	(—)1,80	34,32	18,84	—
	1968-69	14,54	4,96	19,50	1,60	24,13	17,28	7,03	3,33	3,70	5,96	(—)2,26	33,03	19,30	—
24. Burn & Co. Ltd. (75)	1969-70	3,64	(—)23	3,41	3,07	9,96	9,74	(—)89	—	(—)89	—	(—)89	8,81	2,63	96
	1968-69	3,64	70	4,34	2,77	10,62	10,23	(—)12	—	(—)12	1	(—)13	8,87	2,89	—
25. Caltex Oil Refining (India) Ltd. (54)	1969-70	4,50	4,76	9,26	—	10,76	19,89	81	40	41	1,35	(—)94	17,16	6,36	—
	1968-69	4,50	5,25	9,75	—	15,09	23,26	1,47	63	84	45	39	17,04	6,82	—
26. Ceat Tyres Ltd (19)	1969-70	3,04	2,92	5,96	1,51	9,96	23,09	2,21	1,15	1,06	33	73	4,86	2,15	—
	1968-69	2,76	2,39	5,15	1,31	8,87	21,05	2,00	1,05	95	25	70	4,46	2,13	—
27. Century Spg. & Mfg. Co. Ltd. (40)	1969-70	5,05	14,59	19,64	7,47	33,01	48,39	8,95	4,50	4,45	1,55	2,90	39,60	14,70	—
	1968-69	5,05	11,52	16,59	7,26	30,30	45,23	6,51	3,30	3,21	1,49	1,72	37,38	15,81	—
28. Chemical & Fibres of India Ltd. (81)	1969-70	3,50	3,04	6,54	1,98	12,80	25,06	3,55	1,54	2,01	96	1,05	6,29	4,33	—
	1968-69	3,50	1,99	5,49	1,00	10,19	18,97	3,62	1,43	2,19	96	1,23	6,01	4,56	—
29. Chettinad Cement Corpn Ltd. (92)	1969-70	3,00	(—)47	2,53	3,72	6,29	2,56	8	—	8	—	8	5,65	5,24	1,77
	1968-69	3,00	(—)65	2,44	3,30	5,91	1,45	(—)25	—	(—)25		(—)25	5,28	5,04	1,77
30. Ciba of India Ltd. (88)	1969-70	3,25	3,34	6,59	2,52	12,17	13,04	1,44	81	63	41	22	6,73	4,31	—
	1968-69	3,25	3,05	6,30	2,12	11,05	12,27	1,86	1,02	84	41	43	5,97	3,84	—
31. Coromandel Fertilisers (18)	1969-70	9,58	(—)3,84	5,74	43,85	52,27	24,52	(—)62	—	(—)62	—	(—)62	46.93	37,56	4,72
	1968-69	9,58	(—)3,28	6,30	40,81	51,77	11,33	(—)3,87	—	(—)3,87	—	(—)3,87	46,66	42,85	4,16
32. Crompton Greaves (96)	1969-70	3,00	6,52	9,52	1,74	15,40	20,32	2,40	98	1,42	45	97	4,34	2,90	—
	1968-69	2,64	5,27	7,91	77	11,94	17,08	2,20	98	1,22	39	83	3,70	2,58	—
33. Dalmia Cement (Bharat) (89)	1969-70	3,18	3,26	6,44	15	10,61	13,95	1,77	94	83	38	45	5,71	2,50	—
	1968-69	3,20	2,79	5,99	20	9,73	12,74	1,31	64	67	38	29	5,45	2,56	—
34. Delhi Cloth & General Mills (15)	1969-70	11,84	16,67	28,51	48,60	83,60	95,04	3,60	—	3,60	1,34	2,26	75,51	48,46	—
	1968-69	10,91	14,38	25,29	46,42	77,69	77,11	3,58	1,50	2,08	56	1,52	67,45	44,48	—

*(Ranks according to paid-up capital have been shown in brackets in Col. No. 1)

(Contd.)

HUNDRED AND ONE TOPPERS IN THE PRIVATE CORPORATE SECTOR *(Contd.)*

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
35. Dunlop India Ltd.	1969-70	10,70	9,42	20,12	9,59	39,79	8,671	6,99	2,83	4,16	2,05	2,11	22,03	11,03	—
(13)	1968-69	10,70	7,28	17,98	7,31	34,60	70,95	6,01	3,29	2,72	1,80	92	19,65	9,70	—
36. Escorts Ltd.	1969-70	3,70	2,30	6,00	7,17	23,35	28,02	2,11	98	1,13	36	77	8,88	6,19	—
(72)	1968-69	2,86	1,96	4,82	5,14	19,34	20,49	1,77	77	1,09	30	70	6,86	4,90	—
37. ESSO Standard Refining Co. of India Ltd	1969-70	3,00	18,20	21,20	7,25	31,40	33,93	3,49	1,68	1,81	2,30	(—)49	22,12	10,10	—
(95)	1968-69	3,00	18,55	21,55	5,71	29,49	33,79	3,08	1,53	1,55	5	1,50	19,59	8,33	—
38. Glaxo Laboratories (India) Ltd. (26)	1969-70	7,10	4,87	11,97	27	18,15	24,42	4,71	2,83	1,88	96	92	8,60	5,40	9
	1968-69	3,00	5,80	8,80	10	12,88	18,28	3,32	2,02	1,32	82	48	7,36	4,53	—
39. Great Eastern Shipping Co. Ltd. (47)	1969-70	4,79	6,47	11,26	7,89	32,65	10,59	1,59	53	1,06	57	49	27,11	21,13	—
	1968-69	2,40	8,40	10,80	8,62	31,65	8,95	2,33	-	2,33	60	1,73	26,85	21,82	—
40. Guest Keen Williams	1969-70	6,32	10,59	16,91	7,80	30,16	32 42	1,61	84	77	51	26	24,61	14,66	—
(32)	1968-69	6,32	9,59	15,91	13,23	33,21	30,02	8		8	—	8	24,46	15,41	—
41. Gujarat State Fertilisers Ltd. (14)	1969-70	11,99	2,62	14,61	43,87	62,63	26,49	2,52	—	2,52	1,81	71	58,94	47,51	—
	1968-69	11,97	32	12,29	42,67	56,49	16,78	2,17	...	2,17	-	2,17	53,40	46,91	1,17
42. Gwalior Rayon Mfg. (Wvg.) Co. Ltd.	1969-70	9,01	14,60	23,61	4,11	34,38	54,58	7,72	3,68	4,04	1,20	2,84	30,11	11,97	—
(19)	1968-69	7,01	11,65	18,66	3,54	27,10	52,04	5,89	2,75	3,14	1,09	2,05	28,06	12,22	1
43. Herdillia Chemicals Ltd. (45)	1969-70	4,90	(—)1,27	3,63	8,37	13,02	5,50	(—)27	-	(—)27	-	(—)27	12,20	10,28	18,1
	1968-69	4,90	(—)96	3,94	9,36	14,01	3,02	(—)1,26	—	(—)1,27	—	(—)1,26	12,21	11,32	1,51
44. Hindustan Aluminium Corpn Ltd.	1969-70	13,03	17,68	30,71	19,61	54,52	41,30	6,46	-	6,46	1,26	5,20	52,62	36,77	31
(10)	1968-69	12,03	12,42	24,45	25,20	55,41	31,52	3,13	-	3,13	1,17	1,96	50,70	38,49	24
45. Hindustan Lever Ltd.	1969-70	11,56	7,78	19,34	4,03	31,82	1,08,79	6,38	3,31	3,07	1,85	1,22	17,16	8,37	—
(16)	1968-69	11,56	6,62	18,18	4,43	31,03	92,59	6,20	2,94	3,26	1,62	1,64	15,94	8,09	—
46. Hindustan Motors Ltd.	1969-70	13,47	12,13	25,60	33,45	69,31	48,29	44	-	44	23	21	67,54	44,71	—
(9)	1968-69	13,47	13,66	27,13	30,00	65,78	46,69	1,23	—	1,23	1,29	(—)6	61,45	42,39	—
47. Hindustan Polymers	1969-70	3,79	(—)41	3,38	4,75	8,73	89	(—)37	-	(—)37	-	(—)37	7,53	7,15	51
(66)	1968-69	3,78	(—)3	3,75	3,87	8,19	5	(—)7	—	(—)7	—	(—)7	6,80	6,79	13
48. India Cement Ltd.	1969-70	5,23	3,54	8,77	10,98	24,51	12,98	86	—	86	47	39	22,74	16,14	4
(39)	1968-69	3,83	4,09	7,92	9,52	22,13	11,13	71	-	71	34	37	19,35	13,96	4
49. India Tobacco Ltd.	1969-70	18,95	17,07	36,02	8,62	53,89	1,44,96	7,83	4,60	3,23	2,31	92	16,68	10,48	—
(6)	1968-69	15,16	15,24	30,40	9,60	46,47	1,26,10	7,07	3,48	3,59	1,97	1,62	15,67	9,94	—
50. Indian Aluminium Co.	1969-70	12,41	15,51	27,92	21,88	59,04	26,43	5,25	59	4,66	1,70	2,96	51,70	35,93	—
(11)	1968-69	12,35	12,91	25,26	15,34	48,33	21,09	4,36	1,99	2,37	77	39,10	,16	25,16	—
51. Indian Cable Co. Ltd.	1969-70	4,14	3,18	7,32	2,28	11,33	13,49	4,51	1,00	3,51	10	3,41	6,47	2,45	—
(58)	1968-69	4,41	3,12	7,26	2,95	12,12	13,08	1,44	—	1,44	10	1,34	6,08	2,35	—
52. Indian Explosives Ltd.	1969-70	21,41	3,61	25,02	30,28	61,03	15,18	2,99	1,56	1,43	72	71	58,36	52,71	2
(5)	1968-69	13,16	2,90	16,06	14,42	36,90	13,94	2,50	1,29	1,21	72	49	33,59	28,67	13
53. Indian Iron & Steel	1969-70	27,58	40,88	68,46	32,31	1,27,85	82,63	7,87	4	7,83	1,66	6,17	1,23,57	67,46	28
(4)	1968-69	27,58	39,78	67,36	30,60	1,23,07	90,53	8,68	54	8,14	1,41	6,73	1,24,29	67,37	28
54. Indian Oxygen Ltd.	1969-70	4,62	5,08	9,70	2,47	15,73	15,86	1,52	92	60	55	5	15,86	7,18	—
(51)	1968-69	4,62	5,03	9,63	2,93	16,14	14,51	1,25	67	58	55	3	15,57	7,18	—
55. Indian Rayon Corpn	1969-70	3,33	42	3,75	2,46	6,45	3,30	54	—	54		54	5,55	5,59	6
(86)	1968-69	3,34	(—)12	3,22	2,89	6,64	3,12	33	—	33	—	33	,551	5,51	19
56. Indian Tube Co. Ltd.	1969-70	7,96	4,43	12,39	8,48	24,27	25,00	1,97	1,02	95	80	15	17,68	9,04	—
(22)	1968-69	7,96	4,12	12,08	6,61	23,99	24,31	1,63	83	80	64	16	17,11	9,47	—
57. Jaipur Udyog Ltd.	1969-70	3,75	1,65	5,40	2,90	11,23	13,32	51	22	29	32	(—)3	11,47	4,70	4
(70)	1968-69	3,75	1,36	5,11	2,86	10,05	11,66	13	2	11	32	(—)21	10,89	4,32	6
58. Jiyajee Rao Cotton Mills Ltd.	1969-70	5,64	8,09	13,73	2,47	20,34	26,44	2.57	98	159	79	80	17,98	5,77	6
(36)	1968-69	5,64	7,13	12,77	2,23	18,64	24,85	1,58	74	84	67	17	16,81	5,79	—
59. Kesoram Industries & Cotton Mills Ltd.	1969-70	4,20	6,22	10,42	10,82	24,72	25,05	44	—	44	41	3	22,64	12,76	—
(57)	1968-69	4,20	6,17	10,37	8,76	23,71	24,75	86	—	86	52	34	21,55	12,55	—
60. Kirloskar Oil Engines Ltd.	1969-70	4,63	3,81	8,44	12,97	30,05	23,83	2,27	73	1,54	45	1,09	10,04	6,54	—
(50)	1968-69	2,31	4,55	6,86	6,13	19,04	22,73	3,82	2,10	1,72	30	1,42	7,23	4,50	—
61. Larsen & Toubro Ltd	1969-70	4,14	3,31	7,45	10,51	28,23	22,81	1,25	23	1,02	41	61	10,16	7,27	—
(59)	1968-69	3,78	2,70	6,48	10,60	24,90	23,13	1,13	35	78	37	41	8,85	6,47	—
62. Lube India Ltd.	1969-70	4,80	(—)66	4,14	10,62	16,54	1	(—)66	—	(—)66	-	(—)66	15,43	15,33	66
(46)	1968-69	4,80	1	4,81	4,05	9,72	—	1	1	neg	—	neg	9,25	9,25	1
63. Madras Aluminium Co Ltd.	1969-70	5,97	1,29	7,26	8,21	16,81	7,76	1,19	—	1,19	68	51	16,89	11,78	—
(34)	1968-69	5,97	78	6,75	9,76	17,70	7,15	83	—	83	50	33	16,61	12,61	—
64. Madura Mills Co. Ltd.	1969-70	7,00	3,83	10,83	5,79	18,63	30,61	81	15	66	42	24	17,39	6,56	—
(28)	1968-69	3,50	6,92	10,42	6,92	20,14	26,68	80	6	74	35	39	16,87	6,94	—
65. Mahindra & Mahindra	1969-70	3,72	1,95	5,67	11,84	24,38	28,89	82	41	41	39	2	5,98	4,23	—
(71)	1968-69	3,72	1,83	5,55	11,52	23,86	23,76	46	20	26	36	(—)10	5,33	3,84	—
66. Mahindra Ugine Steel Co. Ltd.	1969-70	3,66	(—)21	3,45	6,54	10,81	4,90	39	—	39	—	39	9,15	8,20	42
(73)	1968-69	3,64	(—)60	3,04	6,90	10,91	,228	(—)60	—	(—)60	-	(—)60	9,03	8,49	81
67. Metal Box Co. of India Ltd.	1969-70	6,94	2,86	9,80	5,80	20,25	27,69	1,26	72	54	41	13	10,78	7,01	—
(29)	1968-69	6,94	2,80	9,74	4,78	18,93	25,97	1,90	103	87	61	26	9,86	6,46	—
68. Mettur Chemical & Industrial Corpn. Ltd.	1969-70	3,00	85	3,85	3,43	8,32	7,01	54	—	54	29	25	8,33	4,49	—
(94)	1968-69	3,00	58	3,58	3,76	8,36	5,91	20	—	20	19	1	8,24	5,04	—
69 Motor Industries Co. Ltd.	1969-70	3,75	5,87	9,62	2,50	15,86	14,59	2,54	1,05	1,49	66	83	10,79	6,09	—
(69)	1968-69	3,75	4,81	8,56	1,51	15,16	11,93	3,43	1,85	1,58	66	92	8,40	4,72	—
70. National Organic Chemical Industries Ltd.	1969-70	12,00	(—)4,73	7,27	43,52	53,81	15,95	(—)1,33	—	(—)1,33	—	(—)1,33	47,70	42,03	4,73
(12)	1968-69	12,00	(—)3,40	8,60	39,52	50,85	6,84	(—)3,09	—	(—)3,09	—	(—)3,09	45.07	42,68	3,40

(Contd.)

HUNDRED AND ONE TOPPERS IN THE PRIVATE CORPORATE SECTOR (*Contd.*)

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
71. National Rayon Corpn. Ltd.	1969-70	4,95	5,56	10,51	4,45	17,02	22,34	3,91	2,16	1,75	99	76	27,30	10,02	—
(42)	1968-69	4,95	4,84	9,79	4,11	16,58	20,66	20,66	2,13	1,51	99	52	25,92	9.99	8
72. Oil India Ltd.	1969-70	28,00	10,76	38,76	34,48	87,45	27,23	10,76	5,02	5,74	4,82	92	1,01,44	70,44	58
(3)	1968-69	28,00	10,39	38,39	38,26	86,10	26,11	11,19	2,27	8,47	4,82	3,65	98,79	71,66	65
73. Orient Paper Mills Ltd.	1969-70	5,62	10,76	16,38	11,67	31,70	29,15	4,76	—	4,76	51	4,25	35,28	20,53	—
(37)	1968-69	5,62	6,47	12,09	15,81	31,45	23,63	1,77	—	1,77	51	1,26	34,84	22,00	—
74. Orissa Cements Ltd.	1969-70	3,10	3,38	6,48	50	10,31	12,02	2,16	1,02	1,14	36	78	8,80	3,08	—
(90)	1968-69	3,10	2,54	5,64	35	7,90	9,72	1,17	44	73	32	41	8,48	3,11	—
75. Pfizer Ltd.	1969-70	3,99	5,86	9,85	--	12,52	15,89	4,13	2,39	1,74	96	78	6,59	5,22	—
(65)	1968-69	3,99	4,59	8,58	54	11,42	14,00	3,49	1,93	1,56	79	77	5,60	4,14	—
76. Philips India Ltd.	1969-70	3,64	5,39	9,03	7,84	24,18	30,21	5,27	3,40	1,87	83	1,04	12,22	7,36	—
(75)	1968-69	3,64	3,92	7,56	7,59	22,09	26,55	4,62	3,05	1,75	73	84	10,62	627	—
77. Polyolefins Industries Ltd.	1969-70	4,60	(—)1,04	3,56	8,84	13,71	7,74	16	—	16	—	16	11,84	10,53	1,52
(52)	1968-69	3,60	(—)1,27	2,33	8,83	12,43	2,46	(—)1,53	—	(—)1,53	—	(—)1,53	11,08	10,49	1,68
78. Premier Automobiles Ltd.	1969-70	7,46	2,92	10,38	15,73	31,98	30,22	28	—	28	—	28	23,14	15,75	3
(25)	1968-69	7,46	2,64	10,10	16,38	31,30	26,80	(—)1	—	(—)1	—	(—)1	22,79	15,31	3
79. Rallis India Ltd.	1969-70	3,00	1,38	4,38	9,18	17,88	43,56	81	41	40	33	7	2,80	1,68	—
(93)	1968-69	3,00	1,32	4,32	9,43	17,99	39,17	95	52	43	33	10	2,60	1,61	—
80. Renusagar Power Co. Ltd.	1969-70	3,75	(—)1,65	2,10	4,91	17,56	5,53	74	—	74	—	74	18,84	16,13	1,69
(68)	1968-69	3,75	(—)2,39	1,36	5,53	17,93	3,41	(—)1,47	—	(—)1,47	—	(—)1,47	18,59	17,09	2,43
81. Rohtas Industries Ltd.	1969-70	6,05	1,57	7,62	5,87	18,41	26,64	1,37	—	1,37	—	1,37	19,65	7,83	—
(33)	1968-69	6,05	1,26	7,31	6,05	17,36	23,64	(—)31	—	(—)31	—	(—)31	19,08	8,29	—
82. Scindia Steam Navigation Co. Ltd.	1969-70	11,28	15,25	26,53	25,75	66,81	35,69	3,12	20	2,92	1,27	1,65	60,11	37,13	—
(17)	1968-69	11,28	13,66	24,94	22,56	60,72	30,37	3,03	45	2,58	85	1,73	54,56	33,97	—
83. Seshasayee Paper & Boards Ltd.	1969-70	3,50	17	3,67	5,28	9,98	5,93	68	—	68	--	68	10,70	7,93	11
(80)	1968-69	3,50	29	3,79	5,48	10,25	4,06	19	—	19	--	19	9,94	8,45	11
84. Shri Digvijay Cement	1969-70	3,29	3,48	6,77	6,51	14,80	12,58	72	9	63	28	35	12,49	7,29	—
(87)	1968-69	3,29	3,06	6,35	5,97	13,95	8,52	29	—	29	—	9	12,07	7,45	—
85. Sirpur Paper Ltd.	1969-70	3,44	89	4,33	4,31	10,09	6,72	1	—	1	—	1	11,75	6,34	—
(83)	1968-69	3,44	94	4,38	3,97	10,38	5,77	(—)9	—	(—)9	6	(—)15	10,76	5,85	—
86. Sirsilk Ltd.	1969-70	2,94	18	3,12	3,51	8,82	4,06	(—)1	—	(—)1	—	(—)1	7,75	4,73	—
(99)	1968-69	2,94	19	3,13	3,67	8,84	3,71	—	—	—	—	—	7,47	4,73	—
87. South India Viscose Ltd.	1969-70	4,90	1,72	6,62	10,08	21,18	7,42	37	—	37	29	8	22,35	14,29	—
(44)	1968-69	4,90	1,41	6,31	3,50	12,19	6,35	43	25	18	—	18	13,84	6,90	20
88. Synthetics & Chemicals Ltd.	1969-70	5,74	1,93	7,67	7,13	16,68	13,92	2,16	—	2,16	34	1,82	16,97	8,51	10
(35)	1968-69	5,74	—	5,74	11,46	18,60	12,10	83	—	83	—	83	16,92	9,71	64
89. Tata Chemicals Ltd.	1969-70	4,92	3,54	8,46	2,02	16,48	11,32	2,45	95	1,50	69	81	14,24	7,15	7
(43)	1968-69	3,93	3,62	7,55	2,87	15,32	10,77	2,11	86	1,25	61	64	13,31	6,77	3
90. Tata Engg. & Locomotive Co. Ltd.	1969-70	18,45	13,33	31,78	65,43	1,23,17	90,52	2,74	—	2,74	2,21	53	92,42	43,56	—
(7)	1968-69	18,45	12,95	31,40	58,56	1,13,24	97,06	5,82	1,73	4,09	2,35	1,74	85,84	43,49	—
91. Tata Hydro Electric Power Supply Co. Ltd.	1969-70	3,53	3,49	7,02	7,24	14,56	6,92	95	7	88	38	50	16,06	11,47	1,31
(79)	1968-69	3,53	3,14	6,67	7,43	14,16	5,97	66	—	66	38	28	15,78	11,53	1,38
92. Tata Iron & Steel Co. Ltd.	1969-70	49,98	52,73	1,02,71	37,73	1,80,72	1,47,66	11,32	5,20	6,12	5,27	85	2,68,32	1,01,51	—
(1)	1968-69	49,98	51,83	1,01,81	44,05	1,80,81	1,39,93	9,82	3,60	6,22	5,27	95	2,58,08	1,03,62	—
93. Tata Power Co. Ltd.	1969-70	7,54	9,27	16,81	17,56	34,87	16,62	2,11	—	2,11	84	1,27	36,88	27,32	3,19
(24)	1968-69	7,54	8,34	15,88	17,96	33,62	14,23	1,61	—	1,61	84	77	35,75	27,06	3,37
94. Textile Machinery Corpn. Ltd	1969-70	2,90	66	3,56	7,86	16,36	8,45	(—)62	--	(—)62	11	(—)73	8,97	4,62	5
(100)	1968-69	2,90	1,39	4,29	7,18	16,24	8,18	(—)72	—	(—)72	11	(—)83	8,93	4,57	—
95. Titaghpur Paper Mills Ltd.	1969-70	4,51	1,15	5,66	3,70	14,31	16,16	21	—	21	13	8	14,92	6,12	—
(53)	1968-69	4,51	1,07	5,58	4,08	14,90	14,75	17	--	17	3	14	14,62	6,34	—
96. Tube Investments of India Ltd.	1969-70	3,75	2,14	5,89	4,60	12,10	11,63	82	35	47	38	9	9,53	5,46	8
(67)	1968-69	3,75	2,25	6,00	5,08	12,00	9,82	33	7	26	—	26	8,80	5,18	8
97. Union Carbide India Ltd.	1969-70	8,19	10,59	18,78	12,06	35,25	44,04	5,63	2,48	3,15	1,23	1,92	29,40	19,13	—
(21)	1968-69	4,09	10,10	14,19	15,12	33,38	33,95	2,42	53	1,89	61	1,28	27,08	19,04	—
98. Utkal Machinery Ltd.	1969-70	3,35	(—)1,86	1,49	4,27	6,84	3,16	23	—	23	—	23	5,06	4,12	2,14
(84)	1968-69	3,35	(—)2,09	1,26	3,87	6,87	2,56	7	—	7	—	7	4,66	3,90	2,14
99. Voltas Ltd.	1969-70	4,33	3,44	7,77	11,92	37,99	59,69	11	8	3	30	(—)27	7,85	5,08	—
(56)	1968-69	4,33	4,05	,838	13,38	35,52	61,89	1,83	1,02	81	65	16	7,65	5,43	—
100. West Coast Paper Mills Ltd.	1969-70	2,90	2,07	4,97	1,98	7,66	7,83	1,22	72	50	31	19	7,28	4,34	32
(101)	1968-69	2,90	1,85	4,75	2,31	7,51	6,73	67	40	27	28	(—)	7,03	3,91	29
101. Western India Match Co. Ltd.	1969-70	4,13	2,88	7,01	55	12,61	26,54	1,94	1,06	88	50	38	7,38	3,70	—
(60)	1958-69	4,13	2,51	6,64	58	11,73	24,87	1,26	65	61	45	16	7,03	3,56	—

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EASTERN 8 ECONOMIST

RUPEES 1.50 APRIL 30, 1971 VOL. 56

What Must We Do?

The Textile Muddle

People Meet Prime Minister

Farming in East Europe

Green Revolution Goes to Almora

Above—A typical area for IGADA whole village demonstrations.

Right—I G A D A experts with farmers.

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WHAT MUST WE DO?

AN INTERESTING development incidental to the Indian reaction to the movement for Bangla Desh is the dissolution overnight of the Pakistan lobby in the Indian press. Seizing every pretext that might come its way, this lobby had been pleading the case of Pakistan in Kashmir, stopping just short of stating frankly that New Delhi should make peace with Islamabad by conceding Pakistan's claim to the Valley. This very same tribe of journalists has now joined the chorus with demands that the government of India should throw in its lot with the Awami League. Once again there has been hesitation in carrying its contention to its logical limit. Nobody in this group has so far said in so many words that the Government of India should recognise the provisional government of Bangla Desh even if this would mean war with Pakistan.

All the same it is clear enough that this is what most of these commentators are driving at. They have advanced two arguments in support of their point of view. The first seeks to appeal to the humanitarian considerations that must surely influence governments and peoples of civilised societies. The plea here is that the regime at Islamabad has resorted to the savage military repression of the entire people of East Pakistan and has been guilty of intolerable acts of organised violence against the civil population including women and children. The argument proceeds that, since the people of this country, especially the people of West Bengal, still harbour sentiments of kinship with the people of East Bengal, it is impossible for this country to stand idly and not demonstrate by every means available to it its sense of identity with the ravaged people across the border.

Those who are arguing in this manner have however not been able to explain how our government's recognising Bangla Desh would help in arresting the butchery of the people of East Bengal by the Pakistan army or air force. On the contrary, any such move on the part of the Government of India may well goad Islamabad to greater fury againt the unarmed people of East Bengal and lead to an intensification of Pakistan's military action and atrocities. It would be a different matter if the Government of India were to recognise the provisional government of Bangla Desh and then back it up by sending arms and ammunition or even more positive military assistance. In that case, there would be some possibility of effective resistance being offered to Pakistan's military forces engaged in the massacre of the people of East Bengal. This, however, would mean India involving itself in a war with Pakistan. Those who have been implying that the Government of India should recognise Bangla Desh have however not yet gone so far as to suggest that India should take the initiative in bringing about an armed conflict between Pakistan and itself even for the worthy reason that humanitarian considerations demand that this country should go to the rescue of the people of East Bengal when they are being so systematically slaughtered.

The other argument advanced in support of an implied demand that the Government of India should recognise Bangla Desh is that this is a necessary act of diplomacy in the furtherance of our national interests. The contention here is that, whatever success Islamabad may be able to score in the short period by subjugating by military force the people of East Bengal, there is no question of East Bengal's demand for autonomy or even freedom being stilled permanently. It has therefore become virtually impossible for Pakistan to survive effectively as a unitary state of both the western and eastern parts and it is therefore in India's interest that its government should actively befriend East Bengal in its hour of need and thus ensure that the latter, whatever its future political status, will have cause to harbour goodwill and friendship for the Indian people. It is further argued that India's long-term political interests lie in strengthening its eastern frontiers by forging bonds of consultation and co-operation with the people and their leaders in East Bengal and that nothing could further this objective more effectively than the recognition of Bangla Desh by the Government of India here and now. The weakness of this pleading is that it ignores the immediate question whether it would be in our national interests for our government to make any move that would precipitate an armed conflict with Pakistan. If the assumption is that Pakistan would not see in our government's recognition of Bangla Desh a *causus belli*, it must be emphatically stated that this would be taking too much for granted. Rajaji has correctly pointed out that the recognition of Bangla Desh by our

government in the present circumstances would amount to our declaring war on Pakistan. There can be no justification for any of us imagining that Islamabad's interpretation would be different.

All this does not however mean that India has no positive role to play with regard to the movement for Bangla Desh or in relation to the slaughter of the people of East Bengal by the military forces of Islamabad. Both humanitarian considerations and our national interests demand quite clearly that the Government of India should play a much more productive role than it has done so far. This role must essentially be in the area of diplomacy. It is indeed strange that our Foreign Ministry has not so far been sufficiently energetic in bringing before the United Nations the issue of the Himalayan violence practised by Pakistan's armed forces against the people of West Bengal.

There should certainly have been long before now an appeal or even a demand from the United Nations to Islamabad that the latter should stop military action against the people of East Bengal. If a demand of this kind is ignored, it would naturally pave the way for the United Nations initiating sanctions against the erring government.

Secondly, where the humanitarian aspect is concerned, India should not further delay employing its diplomatic resources for persuading or even compelling the United Nations to undertake the responsibility for organising relief to the people of East Bengal by sending them supplies of food, medicine and other essential requirements. The Government of India may well offer itself as the main agency of the UN for undertaking the receipt, transport and distribution of these supplies. In any case, the flood of refugees from East Bengal has imposed an obligation on the Government of India to take care of them on its own territory. With the best will in the world, it cannot meet satisfactorily the exacting requirements of this crisis without drawing heavily on international co-operation and assistance. We would therefore urge the Government of India to exert itself to place East Bengal on the agenda of the United Nations so that international action could be organised both for the protection and rescue of its people from the savage onslaughts of the armed forces of Islamabad and the relief and rehabilitation of families uprooted by the catastrophe.

Stuck with Shortages

THE ENGINEERING industries in our country are currently facing a severe crisis due to shortages of steel and non-ferous metals, credit curbs by the Reserve Bank of India and the unplanned programme of orders from the railways. This was the theme of the statement made by Mr Satya Paul, President, Engineering Association of India, at a press conference held in the capital recently. Mr Paul explained that the recovery from the recession in the case of these industries was no doubt rather quick, but their onward march was once again being slowed down with the result that the targets of export earnings by these industries for the fourth five-year Plan period were not likely to be achieved. It may be recalled that the target fixed for the export of engineering goods in 1970 was Rs 125 crores, but despite herculean efforts, the value of exports reached Rs 110.60 crores only. The target for the current year has been fixed at Rs 140 crores which would be hard to attain if the difficulties at present being experienced by these industries are not removed.

Even though the government has taken steps in recent months to import the essential categories of steel, the gap between demand and supply is so large that it cannot be filled with limited imports. The solution lies in improved utilisation of the steel plants which have been operating below their rated capacities. An unofficial estimate indicates that the inability to fully utilize the capacity of the steel plants is costing the country no less than Rs 300 crores a year. The present effective capacity of the five steel plants — Rourkela, Bhilai, Durgapur, TISCO and IISCO— is over 6.7 million tonnes a year, while production in 1970-71 was reported to be no more than 4.6 million tonnes. TISCO was the only plant which worked at 96 per cent of its capacity last year. For engineering industries to accelerate their rates of growth, it is essential that the working of the steel plants should be improved.

Mr K.G. Khosla, Chairman of the Engineering Association of India (northern region), recently forecast that there was likely to be a steel famine in the country by 1975-76. The requirements of steel in 1975 are estimated to be around 10.2 million tonnes which level of production would be hard to attain unless Bokaro reached four million tonnes capacity and all the other steel plants improved in efficiency. Besides the engineering industries, the Bokaro steel project itself is threatened with delay because of the inefficient operation of the steel plants and the non-availability of the categories of steel needed by it. And to meet the urgent requirements of Bokaro, the government has now sanctioned the import of additional steel.

In the present critical situation, it is necessary to conserve all our resources and augment the supply of steel to the engineering industries. The export of scrap, for instance, has been on the decline for some time and this is for the good of the engineering industries. The production of electric steel from scrap is expected to exceed one million tonnes in 1971-72. What is more, the government has permitted the import of 20,000 tonnes of heavy melting scrap during the current year. It is certainly advantageous to export engineering goods made of steel obtained by melting scrap instead of exporting it. It is granted that the Metal Scrap Trade Corporation (MSTC) was set up seven years ago to maximise the export of scrap from this country, but it was understood that this activity would in no way hamper the flow of the much-needed metal for the engineering industries.

Besides steel, the non-ferrous metals are also in short supply. Their problems are, however, different. For example, we have awaited the implementation of the Khetri copper project for too many years and currently the demand for this metal is being met through limited imports and import substitution, wherever possible. In the case of aluminium, supply is still lagging far behind demand because the programme of substituting aluminium for copper has been extensively applied. There is need for giving all possible assistance to the aluminium units which are at present keen on early expansion of their capacities. Zinc and lead are two other metals in whose case the demand in the country outstrips supply.

As if the problems arising from the shortages of raw materials were not sufficient, the Reserve Bank of India has made the smooth functioning of the engineering units further difficult by imposing credit curbs which have "not only affected the medium and large-scale industries but also the small-scale-industries." The paucity of finance is likely to hurt production, which, in turn, would slow down the speed of operations and would throw up reduced surpluses for export. In the wake of the nationalisation of the 14 major banks, the accretion to deposits has been partly siphoned off to non-essential sectors. Consequently, even the most vital industries are made to suffer. The asking of earnest money at the rate of 10 per cent from the engineering units against their indents for steel (though it has been reduced by about 6 per cent) is also causing a great hardship to the industry.

It locks up a good deal of its funds. As these funds are mostly borrowed, the cost of manufacture too goes up. The matter needs to be looked into afresh expeditiously.

It is a well-known fact that a considerable section of the engineering industry is dependent upon government orders for its working operations. The railways in particular play a pivotal rôle. If there was complete accord between the industry and the railways (and the project authorities), a planned programme could be worked out which would utilize the maximum capacity available with the manufacturing units. The policy of making the engineering industries operate on a hit and miss basis is neither in the interest of the government nor of the industry. The plea of the engineering units that a satisfactory scheme should be evolved in this regard has great significance as it would tend to eliminate unnecessary waste and would, at the same time, assist in the generation of new employment opportunities

The Textile Muddle

WHATEVER MAY be his logic (or is it economics?), Mr L.N. Mishra, the Minister of ForeignTrade, anyone must concede, is more or less, specific in his replies to questions in Parliament. In the context of the recent discussions between him and the representatives of the cotton mill industry regarding the quantum of production and the prices of controlled varieties of cloth, which have been inconclusive, it is therefore necessary to recall the discussion in the Rajya Sabha on the subject early this month (April 1, 1971) and to take stock of the situation today.

The questions raised in the Rajya Sabha on April 1 were (i) whether the textile industry had proposed to raise cloth prices, and, if so, what was the reaction of the government to this proposal, and (ii) whether the government had referred the question of cloth prices to the Bureau of Industrial Costs and Prices (BICP) and, if so, whether the bureau had submitted any report. The replies of the minister to these questions were that the textile industry had asked for a rise in prices of controlled cloth and that, pending detailed investigation by the BICP, no increase could be allowed. Later, Mr Mishra also indicated that, as the government had decided to refer this question to an organisation other than the Tariff Commission, it had asked the BICP to go into it and that the latter would take about 9 to 10 month's time to study the problem and give its report. He also ruled out any interim increase in prices.

Among the measures taken by the government to ensure adequate supplies of common cloth, Mr Mishra referred to the control on 25 per cent of cloth production by mills and admitted that, although there were so many mills that should produce controlled varieties of cloth, they had not been doing it, preferring to switch over to finer varieties by paying a compensation (not penalty, be it noted) at the rate of six paise per metre. He did not, however, say why the mills had been doing so; instead, he made two proposals, namely raising the rate of compensation from six paise to 25 paise per mètre and forcing the mills to produce coarse varieties of cloth up to 40 per cent of their total production, instead of 25 per cent as at present. A special committee has since been set up to report on increasing the production of controlled cloth. It remains to be seen what this committee is going to recommend. Possibly, it may advise the government to leave the option to the mills, whether to agree to ensure a minimum production of controlled cloth to the extent of 25 per cent of their total production (this they have already undertaken to do) and pay a compensation of 25 paise for every metre by which a mill's production of controlled cloth falls short of 25 per cent of its total cloth output (instead of only six paise per metre as at present) or to undertake manufacture of controlled varieties to the extent of 40 per cent of their total output.

Now, it is possible for the government to lay down any percentage or even to do away with any compensation provision so as to make doubly sure of the fixed percentage of mill production, be it 25 per cent or 40 per cent, being in controlled varieties only. The government may also insist on the mills increasing the production of medium cloth "so that poor people could buy cloth cheap". But what the Minister of Foreign Trade seems to forget is that, while he may be able to enforce his decision on the mills, he will certainly not be able to ensure that poor people get their cloth cheap. Indeed, he himself admitted as much in the Rajya Sabha in reply to Mr J.P. Mathur, who wanted to know whether the government was aware that certain categories of cloth, particularly dhoties, were being sold at prices much above those printed on them and whether the government had made any enquiries as to why cloth was being sold in the market at prices above the marked prices. He even suggested to Mr Mishra, who had earlier declared he would not permit any increase in prices, to make the announcement in the open market! The minister evaded the only possible and right reply, that is, that any cloth will sell at the price that the market bears.

This means that, by insisting on the mills to print an uneconomic price on cloth, the government is simply driving the mills or/and the merchants to sell at a higher price but not show the realisations in their books. This is not to say that every mill or every merchant indulges in this malpractice, but, eventually, there is no doubt it will put the honest, conscientious and law abiding mills out of commission, if only by reason of the operation of the inexorable laws of economics.

It is unfortunate that, in their zeal to appease the so-called common man, many of our ministers tend wholly to overlook the laws of economics. At

Eastern Economist 25 Years Ago

MAY 3, 1946

The central fact about the jute industry to which much attention must be paid is its chronic over-capacity. An estimate made by the Indian Central Jute Committee in 1941, indicated that the loomage strength of the industry as a whole was about one-third more than that required to meet the normal world demand. During the war, as the military preparations of the advance on Burma necessitated an increasingly large demand for storage accomodation for military stores and equipment, some 26 mill units were taken over by the Government for this purpose, the space thus surrendered amounting to no less than 7½ million square feet of covered pucca built accommodation. The industry was thus deprived of some 25 per cent of its productive capacity. And yet the industry was able to maintain production at the levels demanded by the Allied Economic High Command. This only serves as confirmatory evidence for a phenomenon to which students of the subject have repeatedly drawn attention in the past. The jute industry's traditional method of dealing with the situation has been a policy of restrictionism. Indeed, one of the chief objectives of the I.J.M.A. down through the years has been to foster voluntary agreements among the various mills to limit their output by reducing the hours of work and in other ways. And it would seem that in future too, left to itself, the industry would deal with the problem in a similar manner.

least two members in the Rajya Sabha who ought to know what they were saying asked the Minister of Foreign Trade whether there has not been a steep rise in the prices of cotton, as also of other items entering into the cost of cloth manufacture. Beyond twitting one member that he was an able champion of the ICMF and telling the other that "we do not agree with them" (that is, the mill interests) who "demanded a rise in the prices — of controlled cloth - on the pretext that the price of cotton had risen by 200 per cent and the cost of labour too had increased", Mr Mishra was not very helpful. "We have sent this matter for verification to the Bureau of Industrial Costs and Prices and nothing could be said on the subject until after we have received their report", he observed. Be that as it may, if, as any inpartial body is bound to accept, the BICP were to endorse the figures produced by the mill industry, will Mr Mishra allow the industry to raise cloth prices with retrospective effect with the same felicity as the government grants increases in dearness allowances to its employees?

The question is neither irrelevant nor irreverent, because, while it is admittedly a difficult thing for any democratic government, caught in a vicious spiral of inflation, to raise prices, especially of such necessities as foodgrains and cloth, it is equally patent that no one, whether in the public sector or in the private sector, will continue for long to produce at a loss. (This explains why even government-run mills have reportedly preferred to pay the compensation than to produce controlled varieties of cloth!). A brief reference to the raw material and other prices situation that obtained at the time the insistence on mills producing a given quantum of controlled varieties was imposed and today should convince anyone of the sharp rise that has taken place since in these prices.

The last occasion when there was a revision in the multipliers for controlled varieties of cloth was in May, 1968. Between May, 1968, and today, several representations have been made by the industry, that is whenever raw cotton and other prices have gone up. According to the ICMF's latest submission to the government -- January, 1971 — cotton prices showed a rise of about 138 per cent over those considered for the compensation of multipliers in April, 1967; over the same period, wages spiralled by 12.6 per cent and prices of stores, dyes and chemicals, etc. advanced by 20 per cent. The cumulative effect of all these increases was to raise costs by 78 per cent, compared to the position in April, 1967. (In the case of government-controlled mills - presumably because they don't pay the same rates of dearness allowances and bonus — this percentage rise amounted to 57, it is stated). At this rate, we need not be surprised if, by the time the BICP submits its report (since the price issue was referred to this body only in August-September, it will not be able to report before June-July, 1971, at the earliest, on the basis of the time limit indicated by Mr Mishra in the Rajya Sabha), the prices will have moved up well around the cent per cent level! Not until this anomalous position is set right can the government expect adequate supplies of controlled varieties or ensure their availability to the common man at what it considers to be a cheap price. As stated earlier, a cheap price marked on the cloth by a mill is not necessarily the price at which the common man will in fact be able to purchase it in the market.

In view of what has been stated above, the correlation between the level of production costs and the quantum of controlled cloth produced should be an eye-opener to the government. It is significant that, as the percentage of losses to a mill on the production of its controlled cloth rose, the quantity of its production of controlled cloth declined, as the table alongside shows.

It is true the government stepped up the rate of incentives for excess production of controlled cloth over the statutory minimum of 25 per cent of capacity from time to time, and certain rebates too were given in respect of the controlled cloth obligation for supplies of cloth for export and defence and also in respect of ready-made garments by makers as well as exporters. But the total effect of all these fell far short of the level of losses involved. Controlled cloth production also suffered due to breakdown of machinery, strikes and go-slows, power failure and other causes, but the really determining factor has been the loss to the industry. Where it is a question of losing one's money continuously, no one can be expected to or will suffer or submit to unreasonable restrictions indefinitely. So it is not the threat of enforcement of any percentage of production or compensation payable for default that will yield results. What is needed is a reasonable price based on impartial calculation of costs. This is no less important than making available adequate supplies of raw cotton to the mills. The two are in fact complementary and reliance on the one to the neglect of the other is only to court more disappointment.

PRODUCTION OF CONTROLLED CLOTH

(In million sq. metres)

Quarter	1968-69	1969-70	1970-71
May-July	158.2	154.7	119.0
Aug-Oct.	200.0	119.3	62.0
Nov.-Jan.	201.2	123.3	..
Feb.-April	187.5	123.4	..
Total for the year	746.9	520.7	

Resin Seminar

With our requirements of resin and turpentine gradually outstripping supplies and the scope for diversification in the uses of these forest products also widening fairly extensively, it was indeed appropriate that those concerned with the management of our forest wealth and the entrepreneurs as well as technologists engaged in the industries based on resin and turpentine should have assembled here in a seminar on April 13 and 14 to bestow thought on the optimum exploitation of these resources. Apart from the valuable contribution that the resin and turpentine resources and the industries based on them make to the economy of the country, the development work in this field needs encouragement from another consideration also. This is the opening of additional avenues of employment in the hilly tracts which suffer from various disadvantages compared to the plains.

The Seminar on the Role of Pine Resin in the Economic and Industrial Development of India threw up many useful suggestions for judicious exploitation of the pine resources in our forest wealth, which, if pursued energetically, can yield handsome dividends. With a view to raising the production of pine resin, it was stressed that not only improved techniques of tapping have to be adopted but also concerted efforts have to be made to bring additional forest areas under commercial exploitation. It is indeed regrettable that our methods of tapping by and large have remained obsolete even though we have had a forest research institute for over a century; attempts have been made at raising yields only in the recent past through the use of chemical stimulants with the result that this practice has yet to become widespread in most areas. Further, tapping is being done at present barely up to six feet, i.e. man's height. The upper reaches of the pine trees remain unexploited.

If we can extend tapping even up to 12 feet and make use of chemical stimulants, experts opine, our resin yield can go up by as much as 25 per cent.

The seminar also laid emphasis, and rightly so, on the maximising of the stockings of pine trees by natural and artificial regeneration, including afforestation of blanks in the hills, growing of exotic, high-yielding varieties of pine, and improvement of communications, wherever necessary. While the former two steps should improve the economics of resin production, the latter should help in extending tapping to the hitherto inaccessible areas. Since the forest resources are primarily in the governmental sector — private forests account for only a very small percentage of the total forest wealth of the country - it should be quite easy to co-ordinate the work for the development of pine resources. The presence of a large number of the officials of the forest departments of both the central and the state governments at the seminar and the guiding of the deliberations of the seminar by none else than the Inspector-General of Forests, Mr R.C. Soni, himself should augur well for concerted efforts being made in future for the above developmental work.

So far as the utilisation of resin and turpentine is concerned, the seminar did well in emphasising that apart from looking into the problem of optimum uses in the traditional industries such as paper, soap, paints and varnishes, etc., efforts in future ought to be made to derive the greatest benefit through producing high-value derivatives The present consumption of resin for sizing paper, for instance, is said to be unduly excessive. It can well be brought down through use of fortified resin As a matter of fact, what should be aimed at is that the use of these two materials in areas where the return is not as high as in some of other newly discovered fields, should be curtailed, the position of the two materials being taken up by petrochemicals.

This calls for accent on research and improvement in the quality of resin and turpentine Studies in depth on the chemical constituents of resin, it is believed, can throw up many new uses of resin. As regards turpentine, which till lately has been utilised only as a solvent and more recently for the manufacture of camphor and pine oil, its uses abroad have been diversified greatly with the result that various valuable aromatic chemicals, such as geraniol, linalool, citronellol, ionons and even irone, have come to be produced from it Carene, which hitherto has been considered a problem for the utilisation of our turpentine, now appears to be turning into an asset, as a sequel to the researches into the potential of this constituent The presence of longifolene in our turpentine can also be converted into highly interesting perfumaly chemicals. There is obviously need for devoting attention towards these new uses of resin and turpentine This will not only help in import substitution but can also open up new vistas of export

People Meet Prime Minister

(With apologies to AIR-TV)

V. BALASUBRAMANIAN

THIS IS a question-and-answer session. The proceedings are initiated with introductory remarks by the Prime Minister.

Mrs Gandhi: I am told that the people are eager to meet me, put questions and get my views on matters of interest to them. I am also given to understand that those of you who are assembled here form a cross-section of the public. So, then, to business and while I will reply to your questions, I too may ask you a question or two myself.

Mr Morarji Desai: Having been the Deputy Prime Minister in the Government of India not long ago, I claim the right to speak first. As the whole world knows, I am a blunt man. I am going to ask you straight......

Mrs Gandhi: Stop. You need not waste your breath further. I know that you want to air that ancient complaint of yours. But what are you grousing about? Even if I were to admit that I threw you out like brinjals or potatoes, are those vegetables all that worthless? Ask any housewife and she will tell you that potatoes are expensive stuff these days, while the price at which brinjals sell is no laughing matter either.

Mr Morarji Desai: I could well believe that. So long as I was holding the Finance portfolio, the housewife had nothing to complain about. Potatoes were selling at the price of potatoes and brinjals at the price of brinjals.

Mrs Gandhi: The trouble with you, Morarji Bhai, has always been that you would believe anything you want to believe. In any case, if you are so fond of analogy, better forget about potatoes and brinjals. If you are thinking about trifles for purposes of comparison, there are the fellows who are currently defecting from your party such as it is to mine and there are also the members of the Planning Commission. Surely the market value of these people is way behind those of potatoes or brinjals.

Prof. D.R. Gadgil: Did I hear you mention the "Planning Commission"? With due respect to you, I must say that you have not been fair to me at all. You know very well that I have been old and ailing for years now. A shock like the one you gave me could easily have proved fatal. I am afraid, in fact, that I have not much time left. As a private citizen I clearly cannot afford the medical and hospital facilities I have now become accustomed to.

Yogi Dhirendra Brahmachari: You really do not need expensive doctors or drugs. Try standing on your head every morning. I have been doing it as also so many others whom I am guiding in their yoga exercises. I can assure you that this has made us all healthy, wealthy and wise.

A *Statesman* Reporter: If yoga has served you so well, why have you been running a workshop for jeeps?

Yogi Dhirendra Brahmachari: The jeep business, as you know, was only a sideline for a special occasion, not my permanent interest.

Mr Balraj Madhok: I have never been an admirer of the Planning Commission. Nevertheless, I must say that Prof. Gadgil has had a raw deal, the way he has been asked to get out. I would plead with him that, before he does go, he will have the moral courage to disclose to us all what secret ink or chemical paper is being used in Yojana Bhawan. Otherwise we will never be able to figure out the mystery of all those disappearing targets and dissolving allocations.

Mrs Gandhi: I am afraid this discussion is becoming disorderly. My understanding was that it was to be a dialogue between myself and the rest. Now people here have begun talking at or among themselves.

Mr Y.B. Chavan: I agree with the Prime Minister. I almost always do that anyway. At cabinet meetings, the rest of us never talk among ourselves. In fact, the rest of us do not talk at all.

Mr Jagjivan Ram: Some of us not only keep silent but sleep through the cabinet meetings as well. I wish I were wise a few weeks ago as I am now. Being a sleeping Congress president is certainly better than not being Congress president at all.

Mrs Gandhi: I must insist on our returning to the business of this meeting. May I put a question to Mr Karunanidhi who is over there? What is that bulky bundle of papers you are shuffling and reshuffling?

Mr M. Karunanidhi: They are all blank papers, madam. They are blank, thereby indicating that there has been a total failure of rain and crops in the southern districts of my state.

Mrs Gandhi: Now, don't start that again. Nineteen seventy-one is not 1969 or even 1970. Besides my officers tell me that crop yields in Thanjavur district and elsewhere are actually above normal.

Mr Karunanidhi: I am pained, Madam Prime Minister, that you have set the central government officials to spy on me and my state. You have gone back on our election agreement that there is to be mutual trust between you and myself. In any case, I need money badly and I must have it, drought or no drought.

Mrs Gandhi: I once again give the lie to you. I have confidential information that you do not need money at all, nor does any of your partymen. Moreover, Mr Chavan tells me that we ourselves will have to wait for May to bring us some cash.

Mr L.N. Mishra: If that is really a problem of finance, I believe I could scrape something together.

Mrs Gandhi: No, no, I will have none of that until the state elections are due.

'Young' entrepreneur: As a young entrepreneur, I will be happy to do my best whenever the call comes. At the same time, I must have sufficient notice. It is becoming more and more difficult to salt away cash for special purposes.

Mrs Gandhi: Do you call yourself a 'young' entrepreneuer? You do not look young at all.

'Young' entrepreneur: I am young in spirits, madam, and have the right enthusiasms.

'Old' industrialist: Even if I do not enthuse so readily, I certainly calculate carefully and I believe that the Prime Minister herself is not unaware of the fact that I too have contributed my mite to her famous victory.

Mrs Gandhi: I am aware of more things than are dreamt of in your account books. In any case nobody but myself may trade on what I know or do not know.

Another businessman: As a firm believer in the concept of the joint

sector, I do not wish to define myself narrowly either as a 'young' entrepreneur or an old one. I seek to be both jointly. I may also say, Indiraji, that, with a view to making things easier for you, I have decided to offer directorships in my companies to all those whom you may want to ease out of the Council of Ministers.

Mr K.K. Shah: I do not like all this talk about ministers being eased out. I am afraid that decisions in this matter are apt to be taken in a hurry and that too without sufficient data. Fortunately for me, the census figure are out and they show what a successful leader I have been of the family planning programme. I grant that my critics are alleging that the fact that the census tally of population is lagging behind projections must cast a cloud on my performance as Minister for Health. But is not population control the number one national priority? I for one would be content to salute the memory of those who would serve the cause by dying and would consider it to be without merit to strive to thwart them in their patriotic purpose.

Mr Dinesh Singh: I have always admired your capacity, Mr Shah, for saving your skin by quibbling. I wish I were half as clever as you.

Mrs Gandhi: This discussion is becoming too personal. I am afraid I must leave now.

IGADA in Almora

THE EDITOR

ALTHOUGH BRAVE attempts are made from time to time by authorities or observers, more or less reputable, to forecast the course of our national economy over a period, it still remains true that even strictly short-term estimates are apt to be useful only to the extent that they are borne out by the fortunes of agriculture from one monsoon to the next. This is for the reason that, while farming remains the dominant economic activity in the country, the green revolution, on which our hopes of steady, substantial and relatively swift agricultural growth are pinned, is still far from having become a truly national movement. It is even possible to say that the green revolution has so far been so limited in its geographical coverage that it has hardly been able to influence in a fundamental way the national aggregates of production or investment in the agricultural sector.

The local or at best the regional nature of the green revolution becomes all the more apparent when it is seen how little has happened or is happening to change the quality or pace of farming in those parts of the land which are ill-placed with regard to natural resources or are socially backward and economically poor. Quite clearly a great deal has to be done before the alphabet of the green revolution becomes the living language of rural communities in such areas.

From this point of view, efforts which are directed towards carrying the message of the green revolution to these under-privileged parts of the countryside seem to be particularly valuable. This country has therefore reason to welcome the technical and financial assistance offered by certain friendly foreign governments for organising comprehensive promotional work in some of these areas to which the green revolution may otherwise remain a traveller's tale.

Among these governments, that of the Federal Republic of Germany has been specially active. It has to its credit at present three projects, operating in as many different areas of the country, for the purpose of propagating modern agricultural or animal husbandry techniques. Mandi in Himachal Pradesh, Almora in Uttar Pradesh and the Nilgiris in Tamil Nadu are thus being served and among these programmes, the Indo-German Agricultural Development Project in Almora. (IGADA), while being the most recent, has perhaps the most challenging assignment to cope with. It is indeed an interesting exercise to observe IGADA at work in a context which calls for the continuous adaptation of project attitudes and techniques to local conditions and needs.

IGADA had its origin in the Indo-German FAO Fertiliser Project which was established in three blocks of Almora district in Uttar Pradesh in 1968 in connection with the Freedom from Hunger campaign of the United Nations. Under this scheme an effort was made to popularise fertilisers in that region on a large scale and encourage farmers to buy and use them. The proceeds from the sale of fertilisers, in the form of counterpart funds, represent the West German government's financial contribution to IGADA and are being employed for the various development activities in the hill district of Almora under an integrated multi-purpose programme in which the local authorities are associated with West German experts.

Since the first batch of West German experts reached Almora only in March 1970, IGADA is now only about a year old. Much of its work during this period has necessarily been of a fact-finding nature. The anatomy of agricultural backwardness in this region has had to be studied in detail and its deficiencies and weaknesses identified. A strategy has to be drawn for meeting in an organised manner the particular needs thus revealed so that in the course of this process there might also emerge a more basic as well as a more general philosophy for the perspective planning of rural development in the region.

The immediate — and also the most significant — requirement of this area has been recognised to be the popularisation of a proper rotation of crops so that the farming communities in the district could make better and more intensive use of their scarce resources of land and thereby attempt to escape from the tyranny of subsistence agriculture. It has been decided that the only way in which a sufficient impact on the psychology of the farmers could be achieved is to organise "whole village demonstrations" under which intensive crop rotation schemes are put into effect over demonstration units of from 30 to 100 acres each. These demonstrations are planned to project a combination of improved agricultural practices comprising the entire range of soil preparation, plant protection, application of fertilisers, irrigation and use of improved implements.

Central Feature

The central feature of a "whole village demonstration" is in its scheme of crop rotation with emphasis on cash crops. The main crop chosen for this purpose is the potato crop which is considered to have great potential for development in the region once improved varieties resistant to virus and blight are bred and successfully propagated on a large scale. This at present is one of the main fields of collaboration for the West German and Indian experts in the project. Simultaneously, the possibilities of integrating the growing of other vegetables, such as peas, in this area with markets in urban centres in UP and elsewhere are also being explored.

The demands or the possible rewards of diversification, however, have not been allowed to divert attention away from the improvement of the wheat crop which is an important food crop in this region. It is recognised that higher yields from wheat would remain the

core of agricultural progress in the project area. Much of the promotional activity with regard to improving cultural practices is therefore centred on wheat and the emphasis here has been on the popularisation of improved strain bred particularly at the Pantnagar Agricultural University.

The hilly regions of Almora district have been traditionally poor. Its households have had to eke out a living by supplementing their meagre income from land with remittances from their menfolk serving in the armed forces or engaged in domestic service or other avocations in the towns and cities of the plains. What would really inspire faith and hope in these people therefore is an early improvement in their money incomes. The cultivation of potatoes and vegetables would help here. Equally impressive perhaps could be the rewards of orchard development, which is another important preoccupation of IGADA. Even in the first year of its active functioning, IGADA has been able to interest selected progressive farmers in building up yields in their orchards with a combination of proper pruning, use of fertilisers and plant protection measures. The result has been to convert patches of fruit trees of no particular worth into highly valuable properties which may be expected to yield increasing returns in the future.

Improvement of Livestock

Similar success is perhaps not to be expected equally early in another important area of this region's economic development, namely, the improvement of its livestock. IGADA has started implementing a programme of upgrading local cattle through the artificial insemination of cows with the deep frozen semen of Brown Swiss bulls which is being imported from West Germany. This strain has been found to be particularly suitable for the cross-breeding of hill cattle. The main artificial insemination centre at Almora is being fully equipped on modern lines and is the headquarters of a network of sub-centres which are being organised not only to undertake artificial insemination but also to carry out anti-sterility treatment of cows with a view to increasing the number of breedable animals. As the artificial insemination programme develops, it may be found to be more economical to import a certain number of Brown Swiss bulls and thereby start extraction, processing and storage of deep frozen semen in Almora itself for distribution not only in the district but also outside.

The artificial insemination project may now boast of a batch of six cross-bred calves. The demonstrational effect of this achievement has been considerable where the scepticism or prejudices of local peasants are concerned. The chief problem here however may not be the attitude of the people which can no doubt be successfully influenced. The issue is whether enough fodder can be economically grown in the region so that farmers are able to improve the feeding of their cross-bred cattle to the nutritional standards which are necessary if valuable breeding work is not to go to waste.

Poor Availability of Fodder

As it is, the availability of fodder or other cattle feed is very poor indeed in this region at present and the only way of improving the situation is to develop grazing on the hill slopes, where, due to poor soil condition and lack of irrigation, pastures are lean and the vegetation lacking in nutrients. IGADA realises that animal husbandry in the region could be established as a remunerative occupation only if a breakthrough is achieved in the selection and establishment of fodder grass which could grow reasonably well on hill slopes. An enthusiastic beginning has been made in fodder development along these lines but this is a programme which can succeed only as part of a larger strategy for the proper conservation of the area under forests and the soil of the slopes, a good part of which has suffered from erosion.

Programmes of this kind are only as good as the men who happen to be available for running it. In this respect, IGADA has been more fortunate than most projects of this kind. In its project leader, Dr U.C. Calaminus, IGADA has a chief with abundant enthusiasm and rare understanding. Dr Calaminus has come to Almora with vast experience of similar development work in other parts of the world. The other West German experts, who are his colleagues in the project, also have a similar background even if some of them are quite young.

On the Indian side, the District Magistrate, Mr A.P. Varma, who is the top executive officer associated with the project on behalf of the Government of Uttar Pradesh, is a young IAS official with the right intellectual attitudes towards the complexities of the project and proper emotional responses to the opportunities thrown up by it. Mr Calaminus and Mr Varma, between them, seem to have developed a working relationship which has cut off much of the red tape that normally goes with government-sponsored programmes. Another asset to the leadership at IGADA is Mr T.C. Pandey, the Project Officer who is also the Additional District Magistrate. Mr Pandey has not only studied Agriculture, but also understands farming and farmers. He has the further advantage of hailing from Almora itself.

Broadly speaking, most of the rest of the Indian personnel associated with the project also seem to have been selected with an eye to their suitability and capacity for personal involvement in the ideals of the project. All the same, there are bound to be problems at the level of human relations. Some of the West German experts may strike their Indian counterparts as being too impatient or unduly assertive, while the latter, in their turn, may have given the impression of being slow-moving or conservative. In a project which is only about a year old, the existence of such disharmonies is not surprising. While there is no point in making too much of this problem, it must be said definitely that there should be constant endeavour on both sides to achieve better co-ordination of mental approaches. Here it is an advantage that the West German experts at IGADA are expected to serve at least full three-year terms and a point that must be noted in their favour is that most of them have chosen not to leave Almora even for short holidays during the first twelve months or more of their induction into the project.

Quality of Bureaucracy

As may be expected, the enthusiasm, efficiency and productivity of the men on the spot are determined to a very considerable extent by the quality and responsiveness of the bureaucracy at the headquarters. IGADA has perhaps not much to complain of in this respect, when Lucknow and New Delhi on this side or Bonn on the other are concerned. Nevertheless, the prospects for the project will be greatly improved if there is less bureaucratic inertia in Lucknow or for that matter Bonn. On the West German side, more flexible financial arrangements and on the Indian side, the vesting of more discretion in the Indian officials on the spot would help. Among the complaints heard at IGADA is the grievance that too much time and energy are apt to be wasted in clearing consignments of imported equipment at the Bombay port or even at the airport in Delhi. It is worth investigating whether customs procedures cannot be simplified to the advantage of projects such as IGADA.

Ultimately, what IGADA succeeds in doing or fails to do would be a function of the capacity of the village communities it seeks to serve to learn new lessons in co-operative endeavour. The agrarian structure in the Kumaon

hills is such that small and fragmented holdings must be accepted as the harsh facts of peasant life and livelihood. It follows that intensive cultivation on a co-operative basis is a social and economic necessity. The merit of IGADA is that it has not only made a virtue of this necessity but has aroused great enthusiasm in the people of the region for the practice of this virtue.

The active participation of women in farming or other developmental activities has also increased, partly as a result of relaxation of governmental rules for the granting of loans. Wives have been enabled to avail themselves of these credit facilities in the absence of their husbands who may be serving in the Defence forces or may be employed in the plains. An arresting feature of village life in the project area today is the high quality of leadership that has emerged in rural communities. The *pradhans* are often men who can convincingly speak the language of economic progress through initiative and hard work in their dialogues or discussions with sophisticated visitors from the cities. In fact it would be true to say that, apart from the tangible improvements in agriculture which IGADA is attempting or has achieved, its greatest service to the people of Almora has been its contribution to their intellectual and emotional awakening. The people of this hilly region have been enabled, in a dramatic fashion, to enter the waters of a larger experience of kinship not only with the rest of India but also with a friendly nation across the seas. To the extent these men, women and children have been made aware of the practical interest that the outside world is taking in their problems of poverty or progress, they have grown in self-confidence and a passion to make good. The green revolution to them is no longer remote political talk, but a matter of personal involvement. The service that projects such as IGADA may render by dotting the 'i's and crossing the 't's of the nation's agricultural efforts is thus evident. Their value in filling gaps in our broad, national programmes of agricultural growth or rural progress is difficult to over estimate.

Credit Squeeze in Retrospect

SAGITTARIUS

WITH THE current busy season nearing its end, money market observers may well ask whether the credit policy for an obviously tantalising situation was properly conceived and whether with a better understanding of the issues involved, the unprecedented squeeze could not have been avoided. When the policy for the current season was announced by the Reserve Bank early in November last, it was somehow felt that with strict control over advances against raw cotton and sugar and restricted refinance facilities, unnecessary growth in credit could be prevented and any situation that might develop during the peak of the season easily managed. The calculations in this regard have, however, gone seriously wrong and it became necessary early in January to raise the bank rate by one per cent and effect also corresponding adjustments in lending rates. Heavier margins in respect of advances against raw cotton and cloth were also subsequently imposed, besides a reduction in limits available for cotton fabrics. All the time no serious thought was given to the difficulties experienced by sugar mills and the problem of financing accumulated sugar stocks and effecting payments to cane growers was proving to be intractable.

It was obvious to any expert who was carefully studying the developments in the money market that with the immobilisation of over Rs 100 crores in procured foodgrains at the start of the busy season and borrowings of scheduled commercial banks even then at around Rs 150 crores, it would be necessary for the banking system to rely heavily on the refinance facilities provided by the Reserve Bank. Apart from the already over-extended position of banks, high prices and the prospect of another good sugar output were bound to be reflected in a big increase in advances in the busy season. The monetary authorities, however, brushed aside these realities and thought like King Canute that they could prevent an undue rise in short-term rates merely by issuing fiats.

The actual developments came about in an awkward manner and by March 19, 1971, borrowings of scheduled commercial banks rose to the unprecedented level of Rs 443 crores, in spite of the need to pay heavy penal rates and discouragement by the Reserve Bank. There was a virtual freezing of fresh credits and advances rose only with the utilisation of existing limits. In some cases, of course loans had to be granted for meeting tax payments and other compelling commitments, with the result that between October 30, 1970 and April 9, 1971, advances rose by only Rs 494 crores, against Rs 523 crores in the corresponding period in 1969-70. The situation would have been more complicated but for the gratifying growth in deposits of Rs 382 crores in the same period, against Rs 294 crores.

Even with the smaller expansion of credit, many banks had to borrow from the central banking institution at a penal rate exceeding 18 per cent. Eventually, the Reserve Bank decided that there would be a ceiling of 15 per cent for penal rates, though it was enjoined by it that where borrowings had to be theoretically effected at a higher rate, the situation must be corrected as quickly as possible. It is not yet clear what exactly was the impact of an unimaginative credit policy on the marketing of cash crops and on the maintenance of industrial production at the desired levels, but it can be definitely stated that the textile units suffered great hardship and sugar mills had to default seriously in regard to payments to cane-growers even after borrowing heavily from the public at usurious rates.

Needless Difficulties

Only after the middle of March, when the peak of the busy season had been passed, it was suddenly realised that the sugar mills were put to needless difficulties and because of a higher level of stocks at the beginning of crushing season, the industry should be allowed to increase its borrowing at least to the extent of the increase in the previous season. This procedure could have been adopted much earlier with suitable refinance facilities. In that event, there would have been no need for an outlay against mounting arrears of payments to cane-growers. Sugar mills could have been easily told that the additional limits would not be available fully after May and they should be reduced gradually to the old level by the end of September. This stipulation can be fulfilled as sugar stocks are bound to decline to more or less the level that prevailed at the end of September last year, with the virtual end of the crushing season in May.

The Reserve Bank is perhaps now feeling that a needlessly rigorous policy had been adopted and if the adjustments effected in recent weeks had been adopted a little earlier, artificially high short-term rates could have been avoided and borrowers in industry and trade provided their legitimate needs at reasonable interest rates. The government and the Reserve Bank are culpable, as coinciding almost with the start of the current busy season, central government deposits have been rising steadily. With the tax payments effected early in December and various other adjustments later, central government de-

posits have risen from Rs 52.05 crores on December 4, 1970, to the peak level of Rs 400.47 crores on March 12, 1971. The immobilisation of such a large amount was rerponsible for the heightening of the credit squeeze and borrowings of scheduled commercial banks touching the peak level of Rs 443 crores on March 19, as stated above.

It was clear even in January this year that the cash balances of the central government were accumulating at a fast rate, in spite of a higher level of non-expenditure, and the liability of the Food Corporation of India to the banking system in respect of procured foodgrains could have been taken over at least to the extent of Rs 100 crores. Payments against outstanding bills also could have been made earlier than usual, while the Reserve Bank should have issued directives to banks to grant additional limits to sugar mills which were accumulating stocks.

However, these adjustments have been effected only after March 19. The borrowings of scheduled commercial banks have declined by over Rs 172 crores from the peak level to Rs 270 crores on April 9 and the inter-bank call rate in Bombay has dropped sharply to 7½ per cent from 11 per cent. Central government deposits have declined only slightly to Rs 352 crores from Rs 400 crores in four weeks even with a decline in borrowings of the State Bank of India by Rs 116 crores in the fortnight ended April 2, 1971. There might have been a further drop in borrowings of this bank subsequently as borrowings of all scheduled banks dropped by nearly Rs 86 crores in the week ended April 9, 1971.

Repayment by State

It may be said that the high level of central government deposits, even after effecting year-end disbursements and taking over some portion of the liability of the Food Corporation of India, was due torepayments from state governments, which have resulted only in an increase in the overdrafts of the latter and higher cash balances of the former. However, even allowing for the growth in overdrafts of state governments, the ways and means position of the central government was still comfortable and procurement purchases could have been financed out of these resources albeit temporarily.

With the adjustments carried out recently, the abnormalcy in the money market has disappeared to a great extent and there is confidence now that procurement operations in May-June can be financed without much difficulty and slack season trends may assert themselves after July. The availability of refinance to the extent of 75 per cent relating to the increase in procurement credit over the base period should be helpful, while sugar stocks will tend to decline after May. It would be incorrect, however, to expect that the situation will get completely correct after July and banks would be able to reduce their borrowings from the central banking institution to reasonable levels. If there is an increase in lending to small borrowers in the priority sectors and procured foodgrains do not move into consumption on the anticipated scale during the lean months between July and November, there may not be a significant contraction in advances during the slack season and borrowings can be reduced only with fresh additions to deposits. As the central and state governments will be issuing their new loans in July-September, the pressure on the banking system will be relieved only if the Reserve Bank takes note of the immobilisation of funds in procured foodgains and effects appropriate adjustments. A liberal refinance policy will have to be followed at least till the middle of 1973 as only by then the adjustment to the new situation would have been completed. It will be idle to expect that the growth in advances can be arrested merely by a jacking up of lending rates when there is additional pressure on the banking system on account of procurement operations and the grant of loans to small borrowers in the priority sectors and a higher liquidity ratio.

Prospects of Freight Containers

PRAVEEN SINGH

WHEN THE Indian Railways introduced a regular freight container service on Bombay-Ahmedabad route towards the end of 1966, a major aim was to provide to the trade and industry an efficient and fast door-to-door transport service which combined the good points of rail and road transport. Under the service, the railways lift the commodities from the premises of the customers in containers supplied by railways and loaded and sealed/locked by the consignors themselves, transport them on railways own special road vehicles to the railhead where the containers are mechanically transferred to specially designed rail wagons and anchored thereon. These special wagons are hauled by fast express goods trains. At the destination, the containers are again transferred mechanically by the railways from the special wagons to railways special road units and taken to the godowns of the consignees who unload the containers with their own labour and take delivery of the goods.

The freight charges are composit and cover the total haulage over rail and road from godown to godown. The charges are further quoted to each individual party after mutual discussion. The service was welcomed by trade and industry and the increasing demand for the service led to its extension to seven more routes — Bombay-New Delhi, Madras-Bangalore, Madras-Bombay, New Delhi-Calcutta (Howrah), Bombay (Wadi Bunder)-Secunderabad, Bombay, (Wadi Bunder)-Bangalore, and Calcutta (Shalimar)- Madras. The service is expected to be shortly introduced between Calcutta (Shalimar) and Bombay (Wadi Bunder).

The figures given in the table alongside indicate the growing popularity of the service:

Year	No. of containers loaded
1966-67	1,864
1967-68	3,540
1968-69	9,306
1969-70	20,484
1970-71 (Upto Nov.)	15,991

It may be worthwhile to clarify, briefly, what a freight container is. It is an article of transport equipment which is of a permanent character and accordingly strong enough to be suitable for repeated use. It is specially designed to facilitate the carriage of goods by one or more modes (rail, road, sea and even air) of transport without intermediate handling of goods. It is fitted with devices which permit its speedy handling, particularly its transfer from one mode of transport to another. It is so designed as to be easy to load and unload. It has an internal volume of one cubic metre or more. The general-purpose freight containers which are in use in our country have internal length of 7 ft. 11 in. (2430 mm), width 5 ft. 10 in. (1800 mm), height 6 ft. 8¼ in. (2045 mm), volume nine cubic metre and payload capacity five tonnes. These can move both on broad gauge and metre gauge sections of railways and also on road vehicles in the cities.

What are the features that may characterise the development of containerised transport in the future?

Looking to the experience of advanced countries in Europe and of USA and Japan, developing industries and developing container transport are likely to act and react on each other. Also the container movement, at present confined almost solely to inland transport in our country, will have to extend to overseas transport, if the export and import industries are to maintain their position in the international markets. The pace of overseas container movements in the west has been tremendous; in Asia, Japan has already programmed massive capital investments to keep abreast of this revolutionary transport development.

Another feature of container development could be that containers will tend to move (more and more) in train loads — this will be brought about by interests of both, the transporter (railways) and the industry.

Increasing cost of Labour

Some of the trends that are likely to feature in the development of trade and industry are the increasing cost of labour, increasing competition (with its attendant effect on profits) and increasing volume of trade and production. Increased production would involve automation along with attendant heavy capital investments. All this would contribute to the element of unit cost of transport playing an increasingly important role in the distribution plans of the industry, specially the manufacturing industries. What role will transport play in this? It would be obvious that if transport is to suit the requirement of reduced unit cost of transport, the transport industry would have to orient its operation towards that end. It can provide cheaper unit costs of transport only if the unit of transport is standardised, is capable of looking after the movement from godown to godown (thus cutting down intermediate handling with attendant costs) and the standarised unit is produced and availed of in large volumes. The volume aspect would be important for reduced unit cost of transport. Providing standarised unit of transport in large volume will involve heavy capital investments. And for the fullest utilisation of the capital investments and assets created, it would be necessary to have a large volume of transport.

Containers have provided the standardised unit of transport. Economies and efficiency are likely to require the container to move in train loads between selected points. This development has already taken place in advanced countries like the UK, Japan and in Europe and north America. The gains which have led the trade and industry in these countries to make possible unit train movements are also likely to bring about a similar development in our country. This is because over long distances a container unit train movement would be the cheapest mode of transport. The existing mode of general goods transport is such that the cargo is non-standard, has large number of small units requiring individual handling, its varying sizes and shapes impede mechanisation and a large labour force is required which is poorly utilised. The containers would cut these down. It may be mentioned that containers are suitable for pallet loading and to that extent substantial savings through mechanised handling of goods in the godowns at the booking and terminating points could be possible for those who would like to avail of it. Ultimately, the containers could be loaded right near the assembly lines and moved in train loads to schedule, cutting down terminal and labour costs, inventories and transport costs.

It may be asked why the containers should move between the major specified stations by trains and not by road. Here, it may be worthwhile to draw lessons from the experience of a country like the United Kingdom. It has been found that the cost of road transport is less sensitive to the development of high volume container transport than of railways. Road haulage is not likely to be able to take that much advantage of economy of scale as a unit train—there are practical limits to the size of vehicles that can be used on the roads due to safety and other considerations and these limitations in size restrict productivity of both labour and capital. Also road would be more labour-intensive — one truck crew, one road unit. In the UK, it has been estimated that for all journeys over 100 miles, unit trains provide the lowest cost mode of inland transport. Therefore, in our country the optimum arrangement would be for road transport to perform the terminal operations for which it is so well suited and for the railways to perform the high volume long hauls between specified main terminals.

Repercussion on Distribution

The above will have repercussions on the distribution arrangements of the trade and industry as they will have to make adjustments to suit the new transport arrangements with emphasis on volume. There may be initial reluctance. Change from established procedures, particularly if vested interests are involved, present difficulties. However, distribution costs constitute a substantial portion of the on-shelf cost of products and it may not be prudent for trade and industry to ignore the benefits of reduced unit cost of transport. The advantages that the industry can get on account of savings on insurance, packaging, transit time, lesser incidence of claims, etc., will have to be kept in view. It is gratifying to note that leading and well-known companies of the country have been quick to note the advantages of the service because they are mainly responsible for the promising start the container services have had.

The other transport users may not be wise in lagging behind. It has to be remembered that the containers that would come to ply in course of time would be not only the current simple box type containers, but a variety of containers each tailored to meet the requirement of individual customers. There are open containers, tank containers, bulk containers, refrigerated containers and other special containers which can meet the various transport requirements of the industries.

Complete Service

The trade and industry is likely to want more and more a complete goods transport service which would include the execution of all kinds of ancillary operations—complete responsibility for even storage, distribution and keeping of accounts, etc. With this in view, the railways have already introduced the freight forwarder services. If the trade and industry co-operate and help in making the freight forwarder services a paying proposition, these could be developed to provide a complete transport to the trade and industry.

So far the railways have taken the lead in providing the containers. In advanced countries of the world, the trade and industry own or hire on lease containers on a substantial scale. It may be worthwhile for our trade and industry to also think on these lines. An important factor that they would have to keep in view is that if other parties are going to provide or lease containers to the trade and industry, those parties would naturally be making allowance for their margins of profit and for conditions when utilisation of containers is not optimum.

It may be of interest to note that in Britain, which it is claimed has one of the most sophisticated rail container operations in the world, the "Freight liners" (container unit trains) carried 27,000 containers in 1966. In 1969 the figure was 3,97,000. It is estimated that the number would go to 500,000 by the end of 1970. The inland terminal network of the German Federal Railways handled 34,985 containers in 1969 — an increase of about 150 per cent over the figures of 1968. The Japanese Na-

tional Railways have 25,000 containers for inland door-to-door services. Their containers have a pay load of five tonnes which is the same as the payload of containers in our country. These figures are pointers to the potential of container services for countries with developing transport and developing economies.

The container service is a capital-intensive service. The special rail wagons, containers, road units, container handling equipment and container terminals are all costly. A preliminary estimate shows that a proposed full-fledged container terminal at Bhandup to serve the trade and industry of Bombay, which has emerged as a major container utilising centre, would cost one crore of rupees. Capital investments of such magnitude can come in only if the industry avails of this mode of transport in large volume. The future development of this mode of transport would have to be a closely co-ordinated effort of the railways and the trade and industry, wherein the former would provide adequate service and the latter adequate traffic. The sooner this materialises, the better it would be.

Financial Needs of Changing Tarai

J. S. SHARMA & B. PRASAD

THE PRESENT levels of income and production in agriculture are very low. The scope for increasing production by land, labour and limited capital is not much. But it can be increased substantially by the adoption of improved technology. This involves increased use of capital in farming. Credit, in addition to savings, is an important source of meeting the increasing capital needs of agriculture. It is important for the policy-makers, credit institutions and individual farmers to know how the credit requirements of different sizes of farms increase with the technological progress in agriculture. In this article, an attempt has been made to estimate the short-term credit needs of different types of farmers at different phases of technological development in agriculture.

Homagenous Regions

The Tarai of Nainital has been selected for this study. The district has been divided into two homogenous agricultural regions on the basis of cropping pattern. From each region one block was selected at random; Rudrapur and Bazpur blocks were taken for this purpose. From both the blocks 95 farmers were selected by the random sampling technique on the basis of farm sizes. The farms were classified as (i) small—covering less than 10 acres of land, (ii) medium — having 10 acres or more but less than 30 acres of land, and (iii) large— having 30 acres and more of land.

Farmers included in the sample were classified into six groups: (i) irrigated small farms, (ii) unirrigated small farms, (iii) irrigated medium size farms, (iv) unirrigated medium size farms, (v) irrigated large farms and (vi) unirrigated large farms. Thus, all the farmers were grouped in twelve classes. One representative farm was synthesised for each class of farms.

Three optimum farm plans were prepared for each of the model farm by using linear programming techniques by specifying each model in four different ways as summarised below :

Situation A—: Present technology without borrowing: Optimum farm plans were prepared by using present technology. Cash availability was restricted to owned funds only. This situation was designed to see whether the farmers have their own funds enough to meet the cash expenses for the optimum plan under the existing technology or need credit.

Situation B: Existing technology with borrowing: Borrowing activity absent in situation A was introduced in this situation. Other things were similar to situation A. The result of this situation would indicate the amount of credit required in addition to their own funds, to execute an optimum farm plan under the existing technology.

Situation C: Improved technology with borrowing: Current technology included in situation B was replaced by improved technology. This would indicate the maximum amount of credit that can be profitably used under the conditions of improved technology.

Situation D: Improved technology with credit: Current technology with credit has been replaced by improved technology with credit to indicate the total requirement of credit for the adoption of improved technology.

The linear programming models used in this study for estimating the credit needs of the farmers can be stated symbolically. The pre-determined data include the technical input-output coefficients a_{ij}'s returns over variable costs c_j, real activities X_j, and resource levels b_i. The problem is to determine

CREDIT NEEDS AT DIFFERENT LEVELS OF TECHNOLOGY IN TARAI, DISTT. NAINITAL (U.P.)

Size group/Particulars		Per acre credit needs in Rs: Existing Technology	Per acre credit needs in Rs: Improved Technology	Per cent increase in credit needs due to change in technology
Small	Irrigated	169.77	456.63	168.97
	Unirrigated	87.14	197.60	126.76
	Average	128.43	327.11	154.66
Medium	Irrigated	147.82	460.29	211.38
	Unirrigated	118.32	192.60	62.78
	Average	133.70	326.44	144.16
Large	Irrigated	101.83	579.47	469.05
	Unirrigated	50.61	105.93	109.31
	Average	76.22	342.70	349.62
Average	Irrigated	136.47	498.79	260.07
	Unirrigated	85.35	165.37	93.75
	Average	112.58	332.09	194.98

the activity levels X_j such that

$$\sum_{j=1}^{m} C_j \ X_j = \text{Maximum}$$

($j=1\ldots m$) representing various activities such as crop enterprises, borrowing of cash, hiring of labour etc.

$$\sum_{j=1}^{m} a_{ij} \ X_j \leqslant b_i$$

$i=(1\ldots n)$ representing various resource restrictions such as land, human labour, bullock labour, cash etc.

$b_i \geqslant 0, \quad X_j \geqslant 0, \quad a_{ij} \geqslant 0$

The production credit needs on different types of farms under different technological conditions estimated by linear programming technique have been reported as follows:

Credit Needs at Existing Technology: Farmers need cash for buying annual inputs and carrying out various operations on the farm. A portion of total cash needs may be met with their own funds and the remaining portion has to be borrowed from outside. The table on page 762 indicates the amount of borrowed funds needed in order to execute the most profitable farm plan at the existing level of technology. In Tarai, the credit needs of the farmers would be, on an average, about Rs 113 per acre. They would vary among various farm size groups being the highest (Rs 134) on medium size farms, followed by small (Rs 128) and the lowest on large farms. This is because per acre cash expenses are less on small farms as most of the labour needed on the farm is supplied by family members and manure is available from farm livestock. Large farmers are relatively rich and can meet substantial part of their cash needs from their own savings. Medium farmers have to depend more on borrowed funds to meet their cash expenses needed to execute the best plans. Credit absorption capacity, as indicated by per acre credit needs, is greater on irrigated farms (Rs 140) than a non-irrigated farms (Rs 85) in all size groups.

Credit Needs at Improved Technology: As shown in the table, per acre credit needs in Tarai are on an average Rs 332. There is no significant difference in per acre credit needs of different size of farms as they vary between Rs 326 to Rs 342 only. Differences in credit needs on irrigated and unirrigated farms is very large as they are about three times more (Rs 499) on irrigated farms than on non-irrigated farms (Rs 165). Among irrigated farms, credit needs on large farms are slightly higher than small and medium size farms. On unirrigated farms, credit needs decreased with the increase in farm size.

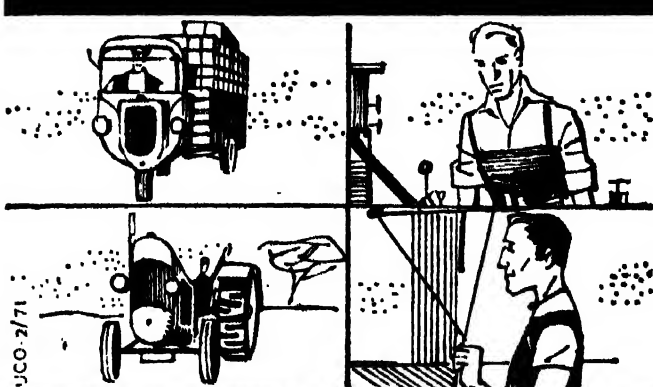
Credit Needs at Existing and Improved Technology: As the technological delopment takes place in agriculture, credit requirements of the farmers also increase. We were interested in finding out the extent of increase in credit needs of different types of farms as a result of introduction of improved technology. As indicated in the table, the per acre credit needs would go up by 195 per cent in the Tarai as a result of technological changes in agriculture. This increase would be different in various farm size groups, highest — 350 per cent — on large farms, and the least in case of medium size farms — 144 per cent. As regards the extent of increase in credit requirements on irrigated and non-irrigated farms, the irrigated farms would have about three times (260 per cent) increase in their credit needs than those of non-irrigated farms (94 per cent). All irrigated farms would have different percentage increases in their credit varying from 469 per cent (in the case of large farms) to 169 per cent (in case of small farms). On non-irrigated farms, the increase in credit needs would vary from 63 per cent (in case of medium farms) to 127 per cent (small farms).

The findings of the study show that the total credit needs per farm both at existing technology and improved technology increased with the increase in farm size. The per acre credit needs at current technology are the highest on medium size farms and the lowest on large farms. Whereas in the case of improved technology, it is the highest on large farms and about the same on the medium and small size farms.

In order to make use of improved technology, the farmers would need on an everage two times more credit than the credit needed at the current technology.

The credit needs of the irrigated farms at current technology are much higher than those of non-irrigated farms. With the adoption of the improved technology, the credit requirements would increase on an average about two and half times on irrigated farms and would almost be doubled on unirrigated farms.

All this reveals that there exists a great demand for credit even at the current technology. With the technological development in agriculture the credit requirements of all sizes of farms are expected to grow. The credit institutions, therefore, have a great task ahead to meet the increasing credit needs of agriculture in order to make the full use of advanced technology.



WINDOW ON THE WORLD

Farming in East Europe

JOSSLEYN HENNESSY

LONDON:

I
PRODUCTION PATTERN

NEW ECONOMIC plans covering the five years to the end of 1975 were launched this year in each of the countries of the east European communist bloc. Common to all of them is the belated recognition that the degree of their success must largely depend on raising agricultural productivity. If East European farming does become more efficient and produces a dependable export surplus each year, international commodity markets, already vulnerable because of the scale and unpredicatability of east European intervention, could be radically affected. In addition, the Comecon market for industrial goods would expand as foreign exchange formerly spent on imports of farm products became available.

Although there are many similarities between the agricultural systems prevailing in the east European countries, there are also striking differences and any generalisation for the Comecon bloc as a whole is misleading. The overall pattern — established in the USSR during the 1930s and then imposed on Bulgaria, Czechoslovakia, East Germany, Hungary, Poland and Rumania at varying stages since 1945 (in Rumania, for example, farms were 'collectivised' almost immediately; in Hungary and East Germany, the system was inaugurated between 1959 and 1961) — is of large-scale state farms (where workers are paid a wage by the government) and collective enterprises (run co-operatively with distribution of profits to members). What is amazing is that the minimal acreage of land privately owned in each country in the bloc accounts for an entirely disproportionate share of total agricultural output.

Poland stands in marked contrast to the other Comecon states; the imposition of collectives in 1950s created such hostility (peasants sent the worst of their produce to comply with the government's compulsory delivery regulations and sold the best on the black market) that output from these enterprises as they came into being was 40 per cent below production of other farms in spite of substantial financial support. In addition, because 40 per cent of Poland's assets were destroyed in World War II and there was little financial help, industry was slow in recovering and neither machinery nor fertilisers were available for the farming sector. Total agricultural production was therefore in dangerous decline and food supplies were failing to keep pace with a rapidly expanding population. The crisis induced the government to allow the disbandment of the collective, and within days of the decree, only 2.000 out of 10,500 collective farms remained. Production thereafter improved steadily as farmers began to reinvest and only the eastern part of Poland, where the land had already been divided into large 3,000 to 8,000-acre units under German occupation, is still farmed by collective organisations or by the state. State farming accounts for 15 per cent of Poland's agricultural area, collectives for only one per cent, and the size of most farms varies from two to 20 acres.

Private Plots

The dissolution of the collectives was not achieved without a major controversy between (a) Poland and (b) the USSR and East Germany, but it eventually ended when Mr Khruschev, in the early 1960s, took the line of common sense and endorsed the Polish agricultural methods. The Soviet Union, together with many of Poland's other Comecon partners, is now beginning to recognise how right Poland was in encouraging production on the small plots still allowed to individuals, although, theoretically, private ownership of land is unacceptable under the communist system and controversy continues over the size allowable.

In the USSR, personal plots may not exceed one acre, and they account for only three per cent of all farm land. Nevertheless, they constitute the binding power of the collective system; they provide a striking one-third of total food supplies (40 per cent of meat, 70 per cent of eggs) and are important in improving standards of living. In Bulgaria, personal plots constitute only a tenth of arable land but account for one-fifth of output, even though it is only the least fertile land which may be privately cultivated and that, until recently, after a farmer had cultivated his land for a few years, he was moved to another less productive area.

In contrast, Hungary is beginning to encourage private onwership. About seven per cent of the land, which survived collectivisation because it was scattered and unsuitable for large-scale farming, is divided into one million private plots, mainly gardens, orchards and vineyards. Hungary differentiates between plots on the periphery of villages, which may be bought or leased by anyone, and the "private garden plots", which are made available only to members of co-operative farms as a reward for fulfilling their obligations towards the co-operative unit.

II

WHY HELP PRIVATE FARMERS ?

The underlying reason for helping the small private farmer in east Europe is an acute and recurring shortage of meat, livestock products and fruit and vegetables, for which private enterprise is the main source of supply.

Throughout Comecon (except for Poland) livestock production is the only major industry where large-scale public enterprise and the diminutive private sector are of comparable importance.

Ironically, just at the point when increasing attention is at last being paid to providing for consumer demand (output of fruit, vegetables and meat will have to be doubled before the Soviet Union can reach west European or American standards), there has been a decline in livestock numbers throughout most of the communist countries. Severe weather, resulting in poor harvests, has led to a shortage of fodder and a subsequent slaughter of animals because of difficulties in feeding, and supplies of food are having to be imported from the embarrassing surpluses that the capitalist west enjoys.

Any increase in domestic livestock will be determined by the level of the grain harvest, the most important crop in the Soviet bloc and the most rigidly controlled. Although greater autonomy has been allowed to individual farm and factory managers in recent years, and set delivery targets for many crops have been suspended, rigid quotas are still maintained for the grain harvest.

The enormous and far-reaching impact of any failures of this sector of east European agriculture is illustrated by the collapse of grain production which occurred in Russia between 1963 and 1965 and which compelled the country to import, instead of exporting some seven million tons of cereal a year. The strain on world wheat supplies led to rising prices and subsequently increased production in all the major exporting countries, including Canada, Australia, Argentina and the United

States. Politically, this mismanagement in the farming sector led to the downfall of Mr Khruschev and to a massive investment in agriculture under the new administration, involving the expenditure of some 70,000 million roubles over the past five years (a figure higher than the total for the previous 20 years).

This policy has brought a measure of success: since 1965, the harvest has averaged 162 million tons a year compared with 130 million tons in the 1961-65 period (when the figure planned by Mr Khruschev was 180 million tons a year). In 1966, a record crop of 171 million tons was achieved and it is hoped that over the period of the next programme, grain output will increase by 20 per cent; by the late 1970s, harvests are planned to average 180 million tons a year. However, these targets are clearly still on the ambitious side. Projections of output in the USSR have more usually been exhortations rather than exercises in realistic assessments. Future growth, moreover, cannot result from the traditional Russian method of increasing output by expanding acreage. Although the USSR has a greater land area than any other country in the world (the cultivated area is well over 500 million acres, two-thirds greater than in the United States), a high proportion of the country is subject to uncertainties of climate. Improvements in fertilising, mechanisation and therefore in yields must be the basis for increasing production. At present, average wheat yields are estimated to be only around two-thirds of the level achieved in the United States, although in irrigation areas in the Ukrain 32 cwt. per acre has been harvested. In addition, fertiliser input is only 30 per cent of the American level, and Russia has about a third of the number of tractors.

Pattern of Farm Labour

Greater efficiency in the use of labour would also help to raise productivity. The farming sector still depends heavily on manual labour and, although at peak seasons there is a shortage of both skilled and unskilled labour, farm workers in general are underemployed and productivity low.

The figures in the table alongside (compiled a few years ago) indicate a high degree of dependence on farming to provide a livelihood for most of the population. It will be seen that there is an enormous reserve of labour to be released when mechanisation is expanded.

The aim under the Mansholt Plan for the European Economic Community farming sector has been to reduce the percentage employed in agriculture to under 10 per cent and to achieve a ratio of 16-20 hectares per farm worker. In the UK 735,000 people, less than three per cent of the working population, are employed in agriculture and the total area farmed is 48 million acres.

III

IN INDIVIDUAL COUNTRIES

Bulgaria

In Bulgaria, agricultural production fell by nine per cent in 1968, instead of rising by a tenth as planned, and there was only a miminal increase in output in 1969. Although adverse weather was partly responsible, there is also considerable disruption which has followed in the wake of experimental mergers of state co-operatives and collective farms to form huge units covering every stage of food production from the raw material to processing and marketing. In the major grain growing region, Tolbuhin, for example, reorganisation is involving the erasure of boundaries between villages and individual farms and the formation of 70 agro-industrial towns in place of over 200 villages. The misery of uprooted peasants is incalculable. Elsehwere, collective farms are being merged with related industrial enterprises to form a unified production cycle. In the light of present confusion and of Bulgaria's past record, the prospects look pretty dim.

Czechoslovakia

Czechoslovakia has to import a fairly high proportion of its food supplies, including two million tons of cereals annually. There has been a steady decline in the number of agricultural workers and, in view of an acute shortage of farm machinery, a corresponding fall in the acreages planted to crops requiring a high degree of labour. The area of sugar-beet and potatoes, for example, is now at its lowest for over 30 years. Until these shortages of manpower and machinery, became acute, farming was generally regarded as a dependably stable sector of the economy, a favourable climate usually secured a satisfactory level of output and farmers were left to decide their own methods of production. Currently, however, food shortages and the weakeness of Czechoslovakia's balance of payments have shown up agricultural deficiencies, and the sector may well have to be allocated a greater share of central investment.

East Germany

Although East Germany was largely agricultural before the division of Germany, the building up of industry in post-war years has made the republic one of the most important industrial nations in the world. Land was not collectivised until there was a strong industrial base, but nearly all farms outside the state enterprises were brought rapidly and successfully into a co-operative system in the early 1960s. Production has become efficient, yields are high and there is a large degree of mechanisation. The principal aim over the next few years is to improve soil fertility and to continue increased specialisation.

Hungary

In Hungary, a record grain harvest in 1969 provided an exportable surplus of 600,000 tons of wheat, the first for many years. Horticultural output rose by about an eighth but only a small increase in production was planned for 1970, partly because there is a serious lack of granaries and of cold storage plants for fruit. Although it is hoped that horticultural produce will find a secure market not only in Comecon but also in the capitalist west over the next few years, lack of funds seriously hinders development. Neither the private plot onwers nor the smaller collectives (under 2,000 hectares) have sufficient financial resources, yields are low (Hungary averages 200 quintals of tomatoes per acre, half that achieved in Italy) and, even though Hungary has valuable pontential resources of thermal energy,

DEPENDANCE ON FARMING FOR LIVELIHOOD

	Total population (in million)	Numbers employed in agriculture (in million)	Percentage of working population	Cropland per farm worker (in hectares)
Bulgaria	8.4	2.6	59	1.8
Czechoslovakia	14.0	1.0	16	5.3
Hungary	10.2	1.5	31	3.6
Poland	32.7	6.3	42	2.5
Rumania	19.1	6.5	59	1.6
USSR	242.2	39.0	33	5.3
USA	203.2	4.8	6	37.0

the shortage of hothouses is serious. Holland, for example, has 5,300 hectares under glass, while Hungary has only 60, nearly the lowest level in Europe. Currently, therefore, fresh vegetables are almost totally unavailable from November to April, although among its other Comecon partners, Rumania (with 650 hectares) and Bulgaria (600) are able to send large quantities of forced vegetables to the free markets of the west.

As regards livestock, the need for government support is illustrated by the difficulties experienced when a programme for increasing production of pork, which accounts for around three-quarters of the country's meat consumption, was introduced in 1967. Under its auspices, factories have been established on collective, co-operative and state farms, and several practical measures, including an increase in the state purchasing price for pork and the release of fodder from central reserves, were simultaneously introduced. Some success was achieved, but it has been estimated that approximately 250,000-300,000 extra pigs would be raised on the private plots if cash for fodder and housing could be made available.

Poland

In Poland, investment in industrial development has for many years been at the expense of farming which remains seriously under-mechanised. Horse-power is still literally the main source of power. However, the new programme provides for an increase in investment by nearly a quarter to 232,000 million zlotys; cereal production and cattle raising are to receive special attention. At present, the bulk of Poland's output of meat (three million tons) comes from the country's 15 million pigs, which are fed to a large extent on imported feed amounting to some 3½ million tons a year. The cost to Poland in foreign exchange is regarded as a major problem.

Rumania

Rumania has one of the most centrally controlled farming systems in east Europe. Detailed provisions cover the use of land. Contraventions are severely fined, but there are few incentives for increasing production. In addition, disastrous floods in May destroyed a major part of Rumania's resources and the heavy agricultural losses will place an additional burden on an already strained farming sector. Productivity is low, short-falls in production are common and dissatisfaction is widespread. Although agriculture still contributes a quarter of national income, it has been neglected in recent years and even under the new programme its comparative share of investment (20 per cent) amounts to only a third of the total to be devoted to industry. Nevertheless, it is hoped to raise output by a third, with most expenditure directed to promoting livestock production. In addition, water supplies are to be extended by an additional 1½ million hectares over the next five years so that some 2½ million hectares will be irrigated by 1975.

Soviet Union

Farm output in the USSR fell in 1969 by three per cent compared with a hoped for increase of six per cent; all the principal crops suffered moderate to severe losses. The sunfower harvest, for example, normally provides an exportable surplus averaging 150,000 tons a year to western Europe alone and earns Russia an income of 35 million roubles. In 1969, however, output of edible oils was so low that Russian produce all but disappeared from world trade.

Development at present is mainly concentrated on research into the use of cereals and cotton, on the reclamation of land, and on raising output of meat and livestock products. Production of broiler hens is a new industry in the USSR, but it is hoped that over the next few years, total production will be raised to 150 million birds a year. Irrigation is to be extended over three million hectares and the output of fertilisers is to be doubled to 90 million tons by 1975 and to 150 million by 1980.

Sources and acknowledgements: The foregoing summarises an exclusive report in a recent issue of Barcalay's Bank Review (54 Lombard St., London EC 3), but the Bank is responsible neither for the emphasis of my summary, nor for my comments, based on a variety of sources.

Palliatives, But No Remedy

E. B. BROOK

VIENNA:

WESTERN EUROPE has recovered quickly from its latest nightmare — another of its periodic crises in which astronomically huge sums of money surge from one currency into another in the course of one day, threatening the value of the wealth, big and little, held by millions of people in scores of countries. The recovery has been quick, helped by the healthy pause of a long holiday week-end, but the crisis is not over and the recovery remains precarious.

These periodic, deeply alarming financial spasms have been occurring over the past 10 years. All this time — with an earlier history of increasing weakness since the 1920s and 1930s when the German mark, the French franc and then the British pound moved from one crisis to another — the world currency system has been progressively deteriorating. Not even the deep surgery undertaken by the British and French governments in devaluing their currencies, by the Germans in revaluing the mark and by the International Monetary Fund in creating Special Drawing Rights, in returning to a two-tier gold price system and in relieving sterling of its reserve currency role has eliminated the fundamental causes of international financial weakness, distrust of currencies and widespread anxiety.

The clever adjustments made by the international bankers at Basle were a considerable improvement in treating a deep financial illness on earlier more superficial treatments such as the Roosa bonds and half-way arrangements to relieve the strain on sterling. But even the constructive work done in the later sixties did no more than relieve the worst symptoms of a fundamental world financial disorder.

Two basic weaknesses of current world finance and monetary needs were left untouched. There was no attempt to correct the malfunctioning of the methods by which major imbalances between leading world economies are adjusted. Two major defects of the 1944 Bretton Woods agreement, which created the International Monetary Fund and the post-war currency system for the non-communist countries, were left uncorrected. These two defects have shown up in international financial workings in the last quarter century.

The first of these defects is what has turned out to be the idealistic assumption by Bretton Woods conference that governments would revalue or devalue their currencies when they have got into a "fundamental disequilibrium". Governments, like human beings, refuse to acknowledge the full force of ill circumstances until they hit them in the face. Prestige and political reasons dissuade governments from acknowledging the arrival of the "moment of (financial) truth" anything like soon enough with the result that re-or devaluation is undertaken when a currency is almost in extremis, with consequential long-term damage to their own currencies and to the international financial system. This weakness has been

illustrated so often during the last five years in west Europe that governments may have begun to realize the unwisdom of hanging on to illusory money values too long — but even this may be an optimistic assumption and would certainly be so if a national election were in the offing.

The second defect of the Bretton Woods system, which rules non-communist international finance, is that it provides no adequate mechanism for making adjustments to the effective parity of its own most important currency, the US dollar, even if the US government itself is willing, or even anxious, to make an adjustment. The inability of the American dollar to adjust itself is disguised — rather misleadingly disguised — by the fact that the International Monetary Fund's articles permit the dollar to change its legal parity in relation to gold. The dollar can thus adjust against gold but not in relation to any other currency — an anomalous position which affects the level of import and export prices between the USA and other countries and comparative returns on capital transactions and which thus, in turn, affect the balance of payments equilibrium.

Fixation of Parity

The result of this literally extraordinary fixity of the value of the US dollar is that its effective parity is not fixed in Washington but in every other capital of IMF member-countries. This international dollar-value fixing arises because the dollar's parity is the arithmetical product of the parities against the dollar which other governments fix for their currencies. Every currency now thinks of itself basically in terms of its dollar-value and this, combined with governments' desire to maintain their own currencies at a value higher than is actually factual, automatically overvalues the dollar. For the US government to exercise its only right under Bretton Woods — changing its value against gold — makes no effect on its international parity value at all. On the other hand, most other countries can only maintain undervalued parities against the dollar by absorbing into their reserves a volume of US dollars roughly equivalent to the American deficit caused by the dollar's overvaluation. The choice before the other IMF countries is either to accumulate dollars or adopt more realistic parities.

Limitation of IMF currencies to this choice and their universal decision that accumulating dollars is preferable to allowing their currencies to assume their true values is the cause of the basic tensions in the existing monetary system. As long as those tensions exist—which means as long as its two causes continue — there will be these alarming eruptions from time to time. Reducing bank rates, as was attempted recently, only encourages a rush on dollars to earn higher interest which inevitably produces speculation about parity changes.

On the American side, also, political prestige affects economic and financial considerations. The closer a presidential election approaches in the USA the more nervous and uncertain the world becomes about US trade policy and how the dollar supply will behave. In next year's US presidential election the need to get the economy moving faster has a clear priority over any improvement in the American balance of payments position for which the French, particularly, are clamouring. All Presidents seeking re-election need booming economic conditions and if, next year, the US economy is as sluggish as it is now, the international balance of payments position will be made still worse by massive imports into the United States.

The USA recently took up its usual position that currency flows are short-term problems because they are caused only by "interest-sensitive" capital; for this reason, no change in exchange rates would be a reasonable action. This view is not shared in Europe where the regular meeting of the Bank for International Settlements in Basle has been considering a plan worked out by the Netherlands Central Bank to reduce the supply of Eurodollars (i.e. US dollars in Europe) and to force up Eurodollar rates, partly by trying to persuade the US to raise American short-term interest rates and partly by the European central banks holding more dollars themselves.

Put in plainest terms, the US government knows that it holds a fundamental advantage in the international monetary game. Its holding of gold reserves in Fort Knox is 11,000 million dollars which is considered enough to prevent a run on US gold by European central banks; such a run would wreck the whole international monetary system. The West Germans would like to get back the 500 million dollars' worth of gold they sold to the USA two years ago, but their request so far has been no more than acknowledged and the Germans have been forced to cut their bank rate by one per cent to stop the dollar inflow. The European dilemma that, by increasing their bank rates to fight internal inflation they only open themselves up to a flood of dollars, is explained by the fact that while the Europeans are fighting inflation the Americans are interested only in getting business moving briskly again. And while the US Presidential election remains an event in the future that contrast in purpose will remain and probably cause some more money alarms, if not crises, in Europe.

More Aid at Less Cost

HARDEV SINGH

MR PAUL Gerin-Lajoie, President of the Canadian International Development Agency, was in New Delhi recently in connection with the signing of two agreements with the Government of India for Canadian development loans worth Rs 30 crores. One major loan for Rs 28 crores is proposed to be used by India for the purchase of industrial commodities, fertilizers and fertilizer materials in Canada during 1971-72. This is the tenth commodity and fertilizer loan signed by India with Canada since 1967, and is substantially larger than those provided in each of the last three years. The increase is due to the rapid utilization of earlier loans as well as increased demand for fertilizers and industrial raw materials. The present loan will provide India with funds for the purchase of industrial commodities such as copper, lead, zinc, nickel, asbestos, wood pulp, newsprint, ferro-alloys, aluminium, synthetic rubber and sulphur and several varieties of fertilizers. A significant aspect of these loans is the liberal terms and conditions. These loans are repayable in fifty years, including a grace period of 10 years, and there are no charges on account of interest, service or commitment.

Canada has also been supplying industrial commodities and fertilizers by way of grants. In fact, grants for capital projects, technical assistance, food, fertilizers and industrial commodities account for nearly two-thirds of the total volume of aid. Up to the end of 1970, Canada provided Rs 257.3 crores worth of grant in the form of food, over Rs 70 crores in the form of industrial commodities, nearly Rs 14 crores in the form of fertilizers and more than Rs 76.3 crores in the form of projects and equipment. The only condition which applied to most of these grants was the establishment of counterpart funds in rupees. These funds, totalling around Rs 283 crores at the end of September 1970, were allocated exclusively to development in India in consultation with the Canadian government.

It is on account of these liberal conditions of assistance that Canada

today occupies the second position in terms of net assistance received by India from developed countries during the last few years. The table below highlights the fact that repayments to Canada during the recent years have been exceptionally low at around Rs 18 crores. The net result has been that debt burden of this country during the years of development has tended to remain low in so far as Canada is concerned. Moreover, by its own example, Canada as a member of the Aid-India Consortium, supported a move to spread repayment of loans over a long period, which was a very meaningful attempt.

Canada's development assistance, like that of many other countries, takes the form of its own goods and services. When the Canadian Parliament voted funds for development assistance, most of them were normally earmarked to be spent in Canada and the goods and services purchased were to be used abroad. To ensure that a sufficiently broad range of goods was eligible for inclusion in the Canadian programme, the current practice has been to require that only 66 per cent of the value of such goods be of Canadian origin, while the balance might be from other countries.

The second loan worth two crores of rupees signed by Mr Gerin-Lajoie will permit the Oil and Natural Gas Commission to secure equipment and know-how from Canada on a continuing basis during the remaining years of the fourth Plan. The equipment and materials will be used in the ONGC's oil exploration and development programme. As an experienced gas and oil producer, Canada has technologically advanced oil and gas equipment industry and is in a position to assist India's efforts in this field. This is not for the first time that Canada has offered assistance to the ONGC. A loan of Rs 1.4 crores was provided some time back for the purchase of oil well casings. Earlier, Canada made an aeromagenetic petroleum survey over western Rajasthan, Uttar Pradesh and Bihar and provided equipment for ONGC's exploration programme.

During the course of a press conference in New Delhi, Mr Gerin-Lajoie made a brief reference to the fact that Canadian assistance in the coming years would also include socially-oriented projects to cover such fields as education, health, family planning, transport and rural uplift. This shift in emphasis appears necessary because Canadian assistance in these fields has been negligible and India needs imaginative assistance and guidance from developed countries in these fields too. This however, does not mean that Canadian assistance in the past has taken the shape mainly of commodity and food supplies. In fact, a major portion of Canadian assistance has gone into large power projects which include the Kundah Hydro-Electric Project in Tamil Nadu, the Idikki Hydro-Electric Project in Kerala, the Bhabha Atomic Research Centre, the Rajasthan Atomic Power Project and the Arvi Earth Satellite Communication Station in Maharashtra. It would, nevertheless, be interesting to see the manner in which Canada puts into practice the promise held out by Mr Gerin-Lajoie.

NET ASSISTANCE RECEIVED BY INDIA FROM SELECTED COUNTRIES

(Rs crores)

Country	Amount of loans signed*	Less repayments	Net loans	Grants disbursed†	Total aid
United States	3632.26	305.92	3326.34	2267.40	5593.74
Canada	199.96	17.59	182.37	314.59	496.96
United Kingdom	616.09	137.98	478.11	2.33	484.44
USSR	674.89	268.05	406.84	8.29	415.13
West Germany	521.09	232.44	288.65	6.23	294.88
Japan	262.58	48.01	214.57	0.76	215.33

*Explanatory Memorandum of the Budget, 1970-71.
†April 1, 1951 to March 31, 1968.

Trade Winds

EXTERNAL ASSISTANCE : 1970-71

FOREIGN AID agreements signed during 1970-71 amounted to 966.5 million dollars (Rs 724.9 crores). Of this, non-project aid was 657.2 million dollars (Rs 492 9 crores), project aid was 162 4 million dollars (Rs 121.8 crores) and aid for miscellaneous equipment 146 9 million dollars (Rs 110.2 crores). Non-project aid included assistance in the form of debt relief amounting to 93.7 million dollars (Rs 70.3 crores). Country-wise details of the aid agreements signed during 1970-71 are as follows:

($ million)

Country/ institution	Non-project aid (including debt relief)	Project aid	Aid for miscellaneous equipment
Austria	2.0	..	..
Belgium	3 5	..	10.0
Canada	28 5	7.4	..
France	28 9	..	27.0
W.Germany	53 3	16 4	4.1
Italy	..	..	8.0
Japan	25.4	7.0	..
Netherlands	11.8	..	..
Sweden	7.7	9.6	6.8
UK	62.4	14.6	36.0
USA	343.7	14.5	15.0
IBRD	15.0	..	40.0
IDA	75 0	92.9	..
Total: $ million	657.2	162.4	146.9
Rs in crores	492.9	121.8	110.2

Of the total non-project aid of 657.2 million dollars, only 408.2 million dollars is against 1970-71 aid commitments. Including agreements yet to be signed, the non-project aid for 1970-71 is expected to amount to 435 2 million dollars (against 524.6 million dollars in 1969-70) and project aid is likely to total 313.6 million dollars (against 306.3 million dollars in 1969-70)

U.S. ASSISTANCE

The United States has extended an additional loan of 15 million dollars (Rs 11.25 crores) to this country for financing essential import requirements. The agreement for this additional loan, signed on April 22, is in the form of an upward amendment to the 155 million dollars US non-project loan signed last month (March 13). The total US non-project aid for 1971 is thus increased to 170 million dollars (Rs 127.50 crores). The new loan will help meet the rising import needs of Indian industry, particularly those in the export sector. In addition, other priority industries will benefit from a larger availability of imported raw materials and spare parts. The items financed by the loan include iron, steel, copper and other metals; chemicals, industrial machinery and equipment; and spare parts for diesel locomotives and aircraft. Extended on concessional terms, the loan is repayable in dollars over a period of 40 years, including a 10-years grace period. Interest is payable at two per cent per annum during the grace period and three per cent thereafter.

PURCHASE OF U.S. WHEAT

The United States Department of Agriculture issued on April 1, 1971 two purchase authorisations covering an amount of $12,337,000 for purchase of about 200,000 metric tons of wheat by this country. The entire quantity is expected to be shipped by the end of June 1971. These authorisations were issued in pursuance of the Supplementary PL-480 Agreement dated April 1, 1971, between the Government of United States of America and the Government of India, for supply, *inter alia*, of about 1.57 million metric tons of wheat/wheat flour. This was the seventh supplementary agreement after the PL-480 Agreement between the two governments signed on February 20, 1967.

INTERNATIONAL FAIRS

Hanover

The 1971 Hanover Fair opened on Thursday, April 22, and continued until Friday, April 30. In the 1971 Hanover Fair some 5,500 direct exhibitors were taking part. The range of exhibits was supplemented by the products of approximately 1,000 additionally represented firms. More than 120 trade associations, national representations and service firms ran their own offices on the fair ground. The persistent international significance and attraction of the Hanover Fair was reflected in the large number of foreign exhibitors from 30 nations coupled with the fact that 800 of the additionally represented firms were from countries other than Germany. The 1971 Hanover Fair offered a comprehensive survey of the international range of products from the capital and consumer goods industries. The net exhibition space totalled 4,60,000 sq. metres of which 2,80,000 sq. metres were exhibition halls, and 1,80,000 sq. metres open space area.

Algiers

The union government has decided to organise this country's participation in the international trade fair to be held in Algiers from August 25 to September 12, 1971. It is proposed to project at this fair the industrial and technological achivements of this country. The display at the Indian pavilion will include machinery and engineering goods, other manufactured goods and minerals and semi-finished goods. In view of the interest which Algeria is showing for foreign investment for developmental projects, Indian manufacturers and exporters will find considerable scope for setting up joint ventures there.

Brno

An international consumer goods fair was opened in Brno on April 19. This fair will be there for about 15 days. This is the second international consumer goods fair being held in Czechoslovakia. The first one was held in 1970. In the last fair about 281 private firms from 25 countries had participated. From this country the only participant was India Linoleums Ltd. In this year's fair about 400 firms are taking part from 32 countries including many countries of Europe. From this country there are now two participants, India Linoleums and York Hosiery, Ludhiana. According to the Commercial Counsellor of Czechoslovakia the government participation from the Indian side could not be possible because STC and other organisations were contacted late. However, it is expected that in the coming years (since this fair is going to be a regular feature) government participation will be there in abundance. For the first five days only commercial representatives and businessmen will be allowed entry and during the remaining period the public will also be allowed.

TRANSPORT SUBSIDY

As part of the union government's policy of providing incentives for starting industries in backward areas, it is proposed to give a transport subsidy to industries to be started in the states of Jammu and Kashmir, Assam (including Meghalaya) and Nagaland and the union territories of Manipur, Tripura and NEFA. The subsidy will be equivalent to 50 per cent of the transport cost of both raw materials and finished products for all new industrial units to be set up. In the case of the existing units also, the subsidy will be payable for

expansion or diversification of a unit if it leads to an increased production of at least 25 per cent over that unit's average annual output during the preceding three years. In such cases, the subsidy will be restricted to 50 per cent of the transport cost of the additional raw materials required and the finished goods produced as a result of the expansion or diversification. Administrative and other details regarding the implementation of the scheme will be worked out shortly by the Ministry of Industrial Development. The Planning Commission has concurred with the proposal.

L.I.C.'s INSURANCE RECORD

The gross premium income of the Life Insurance Corporation of India in respect of its general insurance business for the financial year ended March 31, 1971, amounted to Rs 23.86 crores, which records an increase of Rs 5 82 crores over the results of 1969-70. This increase works out to 32 per cent. Zone-wise distribution of this total premium income is Rs 224.22 lakhs from the northern zone, Rs 165.54 lakhs from the central, Rs 524.50 lakhs from the eastern, Rs 349.03 lakhs from the southern and Rs 416.39 lakhs from the western zone. Premium income from the accounts held by the central office comes to Rs 706.56 lakhs. LIC's target for premium income in general insurance business for the year was Rs 18.8 crores. This target has been exceeded by 27 per cent.

Gross premium income in respect of fire, marine and miscellaneous classes during the year was Rs 585.52 lakhs, Rs 962.54 lakhs and Rs 834.18 lakhs respectively. From April 1, 1971, the corporation has discontinued open market business and has also arranged for the transfer of its tied accounts business to the Oriental Fire & General Insurance Co. Ltd. The corporation, however, continues to write general insurance business in the public sector.

NEW L.I.C. POLICY

The Life Insurance Corporation has introduced a new policy called the Centenary Policy, which will help cover the lives assured, particularly in the lower income groups, even if the premiums are not regularly paid. Defaults in payment of premiums will be permissible once during each block of three years after the first two years. The sum assured will be Rs 1,000 or multiples thereof up to a maximum of Rs 5,000 The mode of payment of premiums will be yearly. The policy will be with profit, earning the same bonus as the regular with-profit policies. There will be only three terms — 15, 20 and 25 years. The maximum age on entry will be 55 and the maximum maturity age 70.

The policy, to be launched from May 1, 1971, will be available both in urban and rural areas. If the proposer is eligible for non-medical policy, it will be under non-medical scheme. Otherwise, the proposal will be considered on the basis of a satisfactory medical report of the proposer.

After premiums have been paid for at least two years. the risk will be continued to be borne by the corporation for one year even if default occurs in the payment of premium. The arrears of the defaulted premium will not be required to be paid even thereafter. The policy will be continued on payment of further premiums with a decrease in a sum assured corresponding to the arrears of premiums. This facility will be available once in every block of three years. The policy, of course, will continue to participate in profits during the default periods also; the bonus will be based on the original sum assured. The policy-holders will be allowed to get loans against the policy after at least five years' premiums are paid.

SMALL INDUSTRIES

The second Afro-Asian Conference on Small Enterprises, which was held in New Delhi a few days ago — the first conference was held two years back in Cairo — has asked all the member-governments to declare the development of small-scale industries an integral part of their overall national industrial policy. This step, the conference felt, should also be supported by legislation, if necessary. The legislation should be comprehensive enough to cover all aspects of assistance needed by these industries.

There was general agreement at the conference on the need for institutional facilities in different spheres of activities of small-scale industries, especially in the fields of manufacturing and marketing. It was generally felt that national organisations for the development of small industries should be set up in all countries in view of the special features of small industries and the role of the government in rendering assistance to them.

Many foreign participants in the conference asked for Indian assistance in setting up small industries in their countries. A few of them even expressed a desire for the establishment of joint ventures with Indian participation. They were said to have been impressed by India's experience and expertise in small industries.

PROCUREMENT AND PRICES

The union government after considering the report of the Agricultural Prices Commission on price policy for rabi cereals, 1971-72 season and the views expressed by the chief ministers and food ministers at a conference held on April 17, 1971, has decided that: (1) The target of procurement of wheat for the 1971-72 marketing season will be four million tonnes. (2) In order to provide continued incentive to the farmer, the procurement prices of all varieties of wheat other than indigenous red will continue to be Rs 76 per quintal. (3) The state governments will fix the price of the indigenous red variety of wheat in consultation with the central government provided it is at least two rupees lower than the price of the standard variety. (4) The Food Corporation of India may purchase superior farm wheat, gram and barley in the open market as part of its commercial operations. (5) The issue price of all varieties of wheat including amber wheat will be fixed at Rs 78 per quintal for maintaining the price line. (6) Restrictions on the movement of wheat to the satutorily rationed areas of Bombay will be removed. (7) The structure of incidental charges both in the states and at the centre will be carefully reviewed to effect such economies as are possible. Action is being taken to implement these decisions immediately.

Company Affairs

HINDUSTAN ALUMINIUM

HINDUSTAN ALUMINIUM Corporation Ltd has recorded good performance during the year 1970 and has declared a higher equity dividend of Rs 1.25 per share against one rupee paid for 1969. Net sales have risen to Rs 39.82 crores from Rs 34.27 crores and gross profit to Rs 18.57 crores from Rs 10.30 crores. Allocations include depreciation Rs 381.66 lakhs, development rebate reserve Rs 33 lakhs, contingency reserve Rs 243.33 lakhs and general reserve Rs 698.76 lakhs. Dividends will absorb Rs 100.40 lakhs. Mr D.P. Mandelia stated recently that the company expected to get the sanction of the Controller of Capital Issues for its proposal to issue bonus shares in the ratio of one share for four shares held. Production during the year of primary metal was 78,191 tonnes and of fabricated products 43,227 tonnes. Mr Mandelia stated that due to power cut the company would lose in production about 2,500 tonnes in the first half of the current year. However, the working has been excellent so far.

Mr Mandelia pointed out that due to an increase in the cost of production, The profitability of the aluminium industry has been affected adversely. There has been a steep rise in the prices of some of the essential raw materials such as aluminium fluoride, cryolite, calcined petroleum coke, caustic soda and hard pitch. The cost of power has also been continuously rising. On the other hand, prices of aluminium had been controlled by the government and frozen at levels prevailing on February 28, 1970, which were exactly the same as were fixed with the government's approval as far back as early 1967. The company has been urging the government to take a realistic view about pricing of aluminium but so far its efforts have not met with any success.

The company had developed good exports markets and during the years 1968 and 1969, around 23,950 tonnes of metal was exported, earning Rs 9.35 crores in foreign exchange. However, exports were banned in 1970 and thus only 2,499 tonnes of metal could be exported against prior commitments. To keep the export markets alive, it would be necessary that some quantity was allowed to be exported on a continuous basis. The expansion of the company's production capacity upto 120,000 tonnes was at last cleared last year, and the first stage of this expansion programme, which was scheduled to raise the primary capacity to 100,000 tonnes by the middle of 1972, had already been taken in hand. Wherever possible, indigenous machinery and equipment were being ordered or even developed and designed, to keep the import content to the minimum. Applications for the import of only such essential equipment which was not available in the country were submitted to the government along with the financing plan. Government's approval of the same and the import licences had as yet not been received and this was delaying the execution of the expansion programme. The scarcity of steel was also causing considerable delay. The second phase of expansion to 120,000 tonnes was scheduled to be completed by the end of 1973.

DUNLOP INDIA

While relying on new units to meet the additional demand for tyres, the government should also permit expansion to the existing manufacturers to make sure that the country was not short of this vital product, stated Mr R.G.S. Nairn, Chairman, Dunlop India Ltd, in an address at the annual general meeting held recently. The reason for the serious tyres shortage which developed in 1968, he stated, was that four proposed new units which were granted letters of intent for a total output of 1.2 million tyres did not implement their schemes and the government had finally to revoke these letters of intent. He added that a number of letters of intent had been issued recently again to new units for a total capacity of 2.4 million tyres. He pointed out that a new manufacturer took several years to implement a capacity of 300,000 tyres, a minimum economic unit, while an existing manufacturer with experience could achieve this within two years. He, therefore, suggested that the government should not rely only on new units and allow the existing units to expand. It should evolve a policy which would ensure that sufficient production was achieved to meet the growing demand in the country.

Mr Nairn pointed out that the sales of Dunlop India Ltd increased by eight per cent during the year ended December 31, 1970, over the previous year to Rs 87.71 crores. He pointed that the company expanded its business and achieved a contract worth Rs 1.50 crores with the Neyveli Lignite Corporation for the supply of special cotton and nylon conveyor belting. This was the largest contract of its kind in this country. Another achievement of the company during the year was the introduction of Metalastik rubber to metal bonded components for the Indian Railways, particularly a large mounting for diesel and electric locomotives.

The chairman stated that the company had submitted an application to the government for the manufacture of steel cord conveyor belting, which is essential for iron ore and lignite mining. Mr Nairn pointed out that tyre production at Sahaganj factory was nearly the same as in 1969 with the exception of cycle tyres, which were badly affected by labour difficulties. Production at the Ambattur factory increased significantly due to the completion of a part of its expansion programmes which would be finished in 1971 and fully effective in 1972. Automotive tube production commenced at Ambattur during 1970.

Taking into account the need for finance for the company's expansion plans, Mr Nairn stated that the company proposed to maintain the ordinary dividend at 20 per cent for the year, and proposed to retain the balance of available profit of Rs 1.66 crores by transferring to general reserve. He added that the capital expenditure for 1970 was Rs 3.20 crores and commitment for capital expenditure towards the end of the year amounted to Rs 5.67 crores. Expenditure includes the implementation of the licence received to increase the company's automotive tyre and tube capacity by 1,35,600 units and 1,24,800 units per annum respectively.

CENTURY SPINNING

The Century Spinning and Manufacturing Company Ltd has improved its working during the year 1970, so that the directors proposed a final equity dividend of Rs 29 per share for 1970 as against final dividend of Rs 25 per share paid for 1969. Together with the interim dividend of Rs 16 per share already paid, the total dividend for the year is higher at Rs 45 per share against Rs 40 per share for 1969. Gross sales increased from Rs 48.39 crores to Rs 52.(2 crores during the year. The gross profit was higher at Rs 14.85 crores against Rs 12.70 crores. After providing Rs 288.61 lakhs for depreciation, Rs 16 lakhs for development rebate reserve and Rs 706 lakhs for taxation, the net profit was Rs 474.51 lakhs. The directors proposed to transfer Rs 307.73 lakhs to general reserve and Rs 110 lakhs

to dividend equilisation reserve. Interim equity dividends had absorbed Rs 56.78 lakhs. Preference dividends and final equity dividends will absorb Rs 133.78 lakhs and will be paid from the dividend equilisation reserve. The company's gross block has risen from Rs 39.60 crores to Rs 41.01 crores but the net block has come down from Rs 14.70 crores to Rs 13.30 crores. The cement project being set up near Raipur, Madhya Pradesh, with an installed capacity of nearly 800 tonnes per day was expected to start production by the end of 1972. The rayon grade wood pulp project proposed to be set up in Uttar Pradesh was still before the government.

KAMANI ENGINEERING

Kamani Engineering Corporation Ltd, which recently received the export promotion award instituted by the Federation of Indian Chambers of Commerce & Industry and, earlier, one from the Engineering Export Promotion Council has now secured another tender from the Electricity Generating Authority of Thailand. For this turn-key project, Kamani Engineering Corporation Ltd is to supply 4,000 tonnes of transmission line towers and allied equipment and erect a 230 kv. doubled circuit line having a route length of 255 kilometres from Sirikit Dam to Nakhon Sawan. Financed by the International Bank for Reconstruction and Development, the project is valued at three crore rupees. Kamani Engineering Corporation Ltd, has registered an increase of 500 per cent in its last year's export turn-over. Kamani Engineering has supplied transmission towers to Canada, Iran, Kuwait, New Zealand, Nigeria, the Philippines, Seychelles, the Sudan, Taiwan, Tanzania, Thailand, the USA and the West Indies. The competence of the company to provide an integrated service, right from the stage of survey, planning and design to the stage of erection and commission of complete high-tension transmission lines, and its vast resources to attend to well over 12 such projects at a time anywhere in the world, has radically enhanced the engineering image of this country abroad.

UNIT PRICES

The Unit Trust of India has raised the sale and repurchase prices of its units by five paise each with effect from Monday, April 19, 1971. The sale and repurchase prices of units have been fixed at Rs 11 and Rs 10.60 per unit, respectively.

LICENCES & LETTERS OF INTENT

The following licences and letters of intent were issued under the Industries (Development and Regulation) Act 1951, during the five weeks ended January 3, 1971. The list contains the names and addresses of the licensees, article of manufacture, types of licences—New Undertaking (NU); New Article (NA); Substantial Expansion (SE); Carry on Business (COB); Shifting—and annual installed capacity.

Licences Issued

Metallurgical Industries

M/s India Cements Ltd; Dhun Building 175/1 Mount Road Madras. (Nandambakkam-Tamil Nadu): (*a*) Malleable iron castings & pipe fittings —1,200 tonnes. (*b*) Heavy duty alloy & other cast iron castings—1,500 tonnes. (*c*) Nihard castings—180 tonnes per annum (COB). M/s Zaverch & Gaekward Pvt. Ltd; P.B. No. 95 Padra Rd; Baroda. (Baroda—Gujarat) ; 1. Ordinary flexible metallic tubing—200 tonenes p.a. 2. High pressure metallic tubing—500 tonnes p.a. (COB), M/s Punjab State Industrial Dev. Corpn. Ltd; U.C.B. Building, Sector 17-B Chandigarh. (Ludhiana—Punjab) : 1.

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AMSTERDAM	5984	4189	6732	4713	5984	4189	6650	4655
FRANKFURT	5984	4189	6732	4713	5984	4189	6650	4655
PARIS	5984	4189	6732	4713	5984	4189	6650	4655
PRAGUE	5984	4189	6732	4713	5984	4189	6650	4655
GENEVA/ZURICH	5895	4127	6646	4653	5895	4127	6561	4593
ROME	5233	3664	6027	4219	5233	3664	5899	4130
MOSCOW Direct via DELHI ...	4986	3491	5633	3944	4938	3457	5652	3957
" via MIDDLE EAST/EUROPE ...	7704	5393	8498	5949	7704	5393	8370	5859
LONDON	6070	4249	6821	4775	6070	4249	6736	4716
NEW YORK	9210	5603	9615	5963	9210	5603	9615	5963
KUALA LUMPUR	2915	2041	2207	1545	2736	1916	2339	1638
NANDI	8649	6055	8073	5652	8649	6055	7987	5591
PERTH	6133	4294	5561	3893	6133	4294	5471	3830
SINGAPORE	2915	2041	2385	1670	2915	2041	2339	1638
SYDNEY	7015	4910	6441	4509	7015	4910	6354	4448
TOKYO	5912	4139	5206	3645	5604	3923	5427	3799

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Mild steel billets. 2. HT steel billets. 3. Spring steel billets—50,000 tonnes p.a. (COB). M/s Bird & Co. (P) Ltd; Chartered Bank Building, Calcutta-1. (Calcutta—West Bengal): 1, Tanks & vessels of various shapes & sizes (non-pressure type). 2. General structures for sheds buildings. 3. Tubes & bunkers. 4. Sluice gates—800 tonnes p.a. (COB).

Fuels

M/s Misri Lall Dharmchand (P) Ltd; P.O. Chabisa. (Bihar). (Menza Madan Katta Distt: Santhal—Bihar): Coal—72,000 tonnes per annum. (NU) Wali Ram Janeja & Co.; West Mudidih Colliery, P.O. Sijua, Bihar. (Mudidih Colliery, Bihar): Coal—4,00,000 tonnes per annum. (SE). M/s Chandan Brothers; c/o (South Karanpura Colliery), Old Commissioner's Compound, Ranchi (Bihar). (Karanpura Colliery—Bihar): Coal—19,300 tonnes per annum. (SE); M/s H. D. Agarwala & Sons (P) Ltd; West Godhar Colliery, P.O. Kusanda, Dhanbad. (West Godhar Colliery—Bihar): 1. Coking Coal—95,000 tonnes p.a. 2. Non-coking coal—19,647 tonnes p.a. (SE). Shri Subodh Gopal Bose; 5/3, Rammoy Road, Calcutta-25. (Chowk Keshaligunj Niga, Colliery—West Bengal): Coal—Ist Year—20,000 tonnes. 2nd year—45,000 tonnes. 3rd year—75,000 tonnes. 4th—year—1,00,000 tonnes. 5th year—1,25,000 tonnes. (NU).

Boilers & Steam Generating

M/s Walchandnagar Industries Ltd; P.O. Walchandnagar, Distt: Poona. (Poona—Maharashtra): Water cooled bagasse furnace (sugar machinery)—12 nos. p.a. (NA).

Prime Movers

M/s Kirloskar Oil Engines Ltd; Elphinstone Road, Poona-3. (Poona—Maharashtra): Internal combustion diesel engines in the range of 3-440 HP—7,25,000 (nos). p.a. (COB).

Electrical Equipment

Shri S. V. Subramaniam; M/s Metal Lamp (I) Pvt. Ltd; 2, Murphy Road, Ulsoor, Bangalore-8. (Bangalore—Mysore): Additional ranges of Lamp caps. E 14/25X17, E 14/21X15, E-14-20, E 10/13, B.15d/24 X 17, B 15s/19, & B 9s/13—40 million nos. (total capacity after expansion will be 120 m. nos.) (SE); M/s Andrew Yule & Co. Ltd; Yule House, 8, Clive Row, Calcutta-1. (West Bengal): (1) Flamerproof, airbreak circuit breaker unit equipped with a tripple pole 200 amp. airbreak circuit breaker, triple poll magnetic pattern overload assembly complete with oil dashpot lime lags, no-volt release, suitable for 3 phase, 650 volts, 50 cycles system, complete with outgoing cable box assembly, ammeter and voltameter—300 units p.a. 2. As above, but 300 amp. voting. 3. Flammerproof, airbreak circuit breaker unit equipped with a triple pole on/off isolator, triple pole 200 amp. air-break circuit breaker, triple pole magnetic pattern overload assembly completer with oil dashpot time lags, earth leakage protective equipment including visual indication, shunt trip or no volt release, backfitting, out-going cable box assembly, incoming and throughgoing busbarends left open, skid or pedestal mounted—300 units per annum. 4. Flameproof air-break gate end unit equipped with a triple pole on/off isolator, triple pole 150 amp. air-break contactor, triple polo magnetic pattern overload assembly complete with oil dashpot time lags, earth leakage protective equipment including visual indication, top mounting out going 150 amp. BS. restrained type plug and socket, incoming and through going busbarends left open, skid or pedestal mounted, complete with ammeter. 300 units P.a. 5. Flameproof air cooled lighting transformer unit equipped with double pole on/off isolater single phase air-cooled lighting transformer having a multi-tapped primary with tappings arranged between 380 and 650 volts, secondary voltage arranged to suit customer's requirement, mid point of transformer earthed, primary and secondary HRC fuses, backfitting outgoing cable box assembly, skid or pedestal mounted. 1 KVA—200 units. 2—VS—200 units. 3 KVA—100 units. 4 KVA—100 units. 5 KVA—100 units. (Flame roof air-cooled, bell signalling transformer unit equipped with a double pole on/off isolator, single phase, aircooled transformer having a multi-tapped primary with tappings between 400/650 volts, 15 volts secondary, primary HRC fuse protection, backfitting outgoing cable box assembly, skid or pedestal mounted. 200 units. 7. Flame proof, interchangeable, cable couplers and adapters suitable for medium pressure and 3300 volts cables of different sizes. As will be required in respect of the above panels. 8. Flameproof, push-pull control switches, push buttons, and loose accessories—400 units. 9. Flameproof automatic direct to line contactor starters suitable for motor upto 30 HP at 550 volts. 500 units. 10. As above but suitable for motors up to 150 HP. 200 units. 11. As above but suitable for motors upto 250 HP. 50 units. (NA); M/s Estrela Batteries Ltd; Yusuf Building, Veer Nariman Road, Fort, Bombay-1. (Maharashtra): Dry cell batteries (cylindrical cells)—60 million nos. p.a. (after expansion capacity will be 125 million nos. p.a.) (SE) M/s Voltas Ltd; 19, Graham Road, Ballard Estate, Bombay-1. (Thana—Maharashtra): 1. Electrostatic precipitators—4 nos. (for a value of Rs 60 lakhs p.a.) 2. Mechanical dust collectors—(valued at Rs 30 lakhs) 6 nos p.a. (NA); M/s Hindustan Brown Boveri Ltd; 1, Jorbagh Nursery, New Delhi. (Goregaon, Bombay—Maharashtra): 1. Woven traps—120 nos. p.a. 2. Carrier sets—80 nos. p.a. 3. Protection couplers—50 nos. p.a. 4. Frequency shift channels—40 nos. p.a. 5 Line matching units—120 nos p.a. (NA).

Telecommunication

M/s Morris Electronics (P) Ltd; Bhoravi Industrial Estate, Poona—Nasik Road, Poona-26. (Maharashtra): Soft ferrites (ferrite rods & cores)—75 tonnes p.a. (COB).

Transportation

M/s Lucas—TVS Ltd; 37, Mount Road, Madras. (Madras-Tamil Nadu): 1. Starter motors—25,000 initially & 74,000 ultimately. 2. Dynamos 25,000 initially & 78,000 ultimately. 3. Voltage regulators—20,000 initially & 80,000 ultimately. 4. Distributors—20,000 initially & 60,000 ultimately. 5. Horns (pairs)—20,000 initially, 55,000 ultimately. 6. Windscreen wiper—28,000 initially, 88,000 ultimately. 7. Flasher units (cars) only—14,000 initially, 41,000 ultimately. 8. Horn relays—18,000 initially, 51,000, ultimately. 9. Selenoids—9,000 initially, 28,000 ultimately. (NA); M/s Atlas Cycle Industries Limited; Sonepat, Haryana (Sonepat—Haryana): Powered bicycles—49 CC. 50,000 nos. p.a. (NU).

Industrial Machinery

M/s A. Stock & Co. Ltd, 8, Garagacha Road, Calcutta-27. (Calcutta-West Bengal)—1. Water treatement plant. 2. Equipment for chemical, & pharmaceutical industries. 3. Dryers. 4. Heat exchangers. 5 Storage vessels, 6. Pressure vessels. 7. Mixing machines. —5.50 lakhs p.a. (COB); M/s Indian Sugar & General Engineering Corpn; Yamunanagar, Distt: Ambala. (Haryana). (Yamunanagar-Haryana)—Galvanising baths—worth Rs 10 lakhs per annum. (NA); M/s Indian Sugar & General Engineering Corpn.; Yamunanagar, Distt: Ambala. (Yamunanagar—Haryana)—i. Pressure vessels, ii. Columns, iii. Heat exchangers —Rs 35 lakhs. (COB); M/s Vulcan Lavel Ltd; Allahabad Bank Bldg; 17, Parliament Street New Delhi-1. (Dapoli, Dist: Poona, Maharashtra)—Coils (plate type)—1,000 Sq. meters valued at Rs 2.25 lakhs p.a. (NA); M/s Deepak Industries Ltd; 16, Hare Street, Calcutta. (Calcutta-West Bengal)—Marine gear boxes 100 units p.a. (NA); M/s Vigay Tanks & Vessels Pvt. Ltd; Haji Adam Mansion, Homji St; Bombay. (Bombay-Maharashtra)i. Mild steel pressure vessels—Rs 45 lakhs p.a.2.

Stainless steel vessels for chemical industry— Rs 4 lakhs p.a. (COB);

Machine Tools

M/s Ruckan Wolf New India Engg. Works Ltd; Post Box No. 19, 72, Medows Street, Bombay-1. (Pimpri-Maharashtra)—(a) Plywood process (hot), (b) Chip-board process(hot), (c) Cold presses for plywood, (d) Rubber processes-mat presces, moulding presses, V *belt presses*, (e) Plastic laminated presses, (f) Plastic moulding presses, (g) Presses to manufacture grinding wheels, (h) Presses used in asbestos cement industry. Rs 30 lakhs p.a. (NA).

Commercial & Household Equipment

M/s Godrej & Boyce Mfg. Co. (P) Ltd; Lalbaug, Parel, Bombay-12. (Bombay-Maharashtra)—Domestic refrigerators— expansion from 6000 nos. to 30,000 nos. p.a. (including compressors for captive use only) (SA)

Chemicals

M/s Tata Chemicals Ltd; Bombay House, Bruce St; Fort, Bombay. (Mithapur-Jamnagar-Gujarat)— Soda ash-expansion from 2,16,000 tonnes to 3,60,000 p.a. (i.e. expansion by 1,44,000 tonnes (SE); M/s Indian Carbon Ltd; 6, Old Post Office St; Calcutta. (Thana-Maharashtra) — Diotyl phthalate plasticizers —3,000 toonnes p a. (COB).

Photographic Film Paper

New India Industries Ltd; Industrial assurance Building, Opp: Churchgate Rly. Station, Bombay-2. (Bombay-Maharashtra)—Photographic printing paper-from 1.8 million Sq meters to 2.2 mil. Sq. meters after expansion. (SE).

Dye Stuffs

M/s Amar Dye. Chem. Ltd; Nand Udyam, Sitladevi Temple Road, Mahim. Bombay. (Maharashtra)—Organic pigments—250 tonnes. (COB).

Drugs & Pharmaceuticals

M/s Gluconate Ltd; 23, Camac Street, Calcutta-16. (West Bengal)—Pethidine hydrocholoride—250 Kgs. (COB); M/s Biological Evans Ltd; 18/1 3, Azambad, Hyderabad. (Andhra Pradesh)— 1. Di-iodo hydroxy quinnoline, 2. Idochlor hydroxy quinoline. Expansion from 2.00 tonnes to 12.00 tonnes p.a. (SE); M/s Gluonate Limited; 23, Camac Street, Calcutta-16. (Nagpur—Maharashtra)—1. Acriflavine 1000 kgs. per annum, 2. Proflavine—3000 Kgs. per annum. (COB).

Textiles

M/s Victoria Jute Co. Ltd; 3, Clive Road, Calcutta-1. (West Bengal) —Jute carpet backing cloth—100 looms to produce 5080 tonnes of carpet backing cloth. (SE); M/s Reliance Textile Industries (P) Ltd; Court House, 4th Floor Tilak Marg, Dhobi Talao, Bombay-2. (Naroda-Ahmedabad/Gujarat) — Man made fibre fabrics art silk fabrics —125 power looms. (NA); M/s Bally Jute Co. Ltd; India Exchange Place, Calcutta-1. (West Bengal)—Jute cappet backing cloth—50 broadlooms to produce 2,540 tonnes of carpet backing cloth. (SE).

Paper & Pulp

The Paper Products Ltd; 120, Dinshaw Vachha Rd; Bombay. (Roha, Dist: Kolaba-Maharashtra)—Pulp-4200 tonnes p.a. Paper (writing printing & wrapping) — 4,200 tonnes per annum. (COB); M/s F. Pudmajee & Co. Pvt. Ltd; M/s D. Pudmajee Paper Mills, 60, Forbes Street, Bombay-1. (Bombay-Maharashtra)—Boards, unbleached, printing & wrappers — 1,800 tonnes p.a. (COB); M/s Premier Paper Mills Ltd; Vaswani Mansion, 120, Dinshaw Vachha Road, Bombay-1. (Roha, Dist: Kolaba—Maharashtra)—1. Writing, printing & wrapping paper—2,800 tonnes, 2. Pulp — 2,800 tonnes p.a. (COB).

Sugar

M/s Sidheshwar Sahakari Sakhar Karkhana Ltd; Sillod, Taluka Sillod, Dist: Aurangabad, Maharashtra State. (Bhuban, Dist: Aurangabad-Maharashtra)—Sugar—crushing capacity of 1,250 tonnes of sugar-cane per day. (NU).

Fermentation Industries

M/s Alembic Chemicals Works Co. Ltd; Alembic Road, Baroda-3. (Gujarat) —Dried yeast BPC — expansion from 144 tonnes to 300 tonnes per annum on three shift basis. (SE).

Food Processing

The Deccan Flour Mills; Paithan Road, 339, Kalbadevi Road, Bombay-2, BR. (Aurangabad-Maharashtra)—Wheat Products — 8,700 tonnes in terms of wheat. (COB).

Vegetable Oils

M/s Amrit Vanaspati Co. Ltd; Ghaziabad (UP). (Rajpura—Punjab)—Vanaspati — 100 tonnes per day. (COB); M/s Jai Vanaspati Mills (P) Ltd; c/o (Shri M. Agarwal), P-15, CIT Road, Calcutta-12. (Aurangabad-Maharashtra)—Vanapati — 50 tonnes per day. (COB); M/s Premier Vegetable Products Ltd; G-2 Jamuna Path Pani Park, Jaipur. (Rajasthan) Vanaspati — 50 tonnes per day. (COB); M/s Hyderabad Vanaspati Ltd; Monla Ali, Hyderabad. (Hyderabad — Andhra Pradesh)—Vanaspati—25 tonnes per day. (COB); M/s Swarup Vegetable Products, Prop. Uttar Pradesh Pulp & Paper Mills Ltd; Mansurpur (Muzaffarnagar). (Dist: Muzaffarnagar-Uttar Pradesh)— Vanaspati — 25 tonnes per day. (COB); M/s Jaswant Sugar Mills Ltd; Bagpat Road, P. Box No. 20, Meerut City. (Meerut-Uttar Pradesh)—Vanaspati — 50 tonnes per day (COB); M/s Ramnugger Cane & Sugar Co. Ltd; A-8, Sardar Patel Marg, Jaipur-1.(Jaipur-Rajasthan): Vanaspati — 50 tonnes per day. (COB); M/s T.G. Lakshmayya Setty & Sons; P. Box No. 28, Adoni, Kurnool Distt. (Adoni, Andhra Pradesh):— Vanaspati — 50 tonnes per day. (COB); M/s Sangrur Vanaspati Mills Ltd; Sibia House, Sangrur (Punjab). (Sangrur-Punjab)—Vanaspati — 50 tonnes per day. (COB); M/s Mehta Vegetable Products Pvt. Ltd; 733, C. Road, Sardarpur, Jodhpur. (Chandevia Chittorgarh-Rajasthan)— Vanaspati — 25 tonnes per day. (COB); M/s Hindustan Development Corpn. Ltd; 27, R.N. Mukerjee Road, Calcutta-1.(Faridabad, Haryana)—Vanaspati — 100 tonnes per day. (COB); M/s Narain Vegetable Products Pvt. Ltd; c/o The Laxshmiji Sugar Mills Pvt, Ltd; 53, Regal Building, New Delhi. (Sitapur —Uttar Pradesh)—Vanspati — 50 tonnes per day. (COB); M/s Man Mohan Auto Sales Buildings, P.D. Tandon Rd; Allahabad. (Allahabad-Uttar Pradesh —Vanaspati — 50 tonnes per day. (COB); M/s Depak Vegetable Oil Industries Pvt. Ltd; Jawahar Road, Manavadar. (Manavadar-Gujarat)— Vanaspati — 20 tonnes per day. (COB); M/s Jayant Extraction Industries; Bedeshwar, Jamnagar, Gujarat. (Bedeshwar, Jamnagar, Gujarat)—Vanaspati—25 tonnes per day. (COB); M/s Oswal Vanaspati & Allied Industries; Millor Ganj, T.G. Road. Ludhiana, Punjab. (Sherpur, Ludhiana-Punjab — Vanaspati —40 tonnes per day. (COB); M/s Hamraj Udyog; 65, Industrial Area, Jhotwara, Jaipur. (Jhotwara, Jaipur, Rajasthan)— Vanaspati —25 tonnes per day. (COB); M/s Alibhai Vishram Oil Mills; Malipur, Akola (Maharashtra). (Akola-Maharashtra)—Vanaspati — 25 tonnes per day. (COB); M/s Chhabivani Agro-Industrial Enterprises Ltd; S.P. Varma Road, Patna-1. (Durgawati, Dist: Sakahbad, Bihar) — Vanaspati —50 tonnes per day. (COB); M/s SVS Oil Mills; c/o Shri S.V. Sivalinga Nadar, 49, West Mada Church Street, Royapuram, Madras-13. (Royapuram-Madras)— Vanaspati — 10 tonnes per day. (COB); M/s The Punjab State Cooperative Supply & Marketing Federation Ltd; P. Box No. 67, Chandigarh. (Khanna, Dist: Ludhiana, Punjab)—Vanaspati —50 tonnes per day. (COB); M/s Markanda Vanaspati Mills Ltd; G.T. Road, Shabad Markanda,(Karnal, Haryana. (Shabad, Markanda, Karnal, Haryana)— Vanaspati —25 tonnes per day. (COB); M/s Haryana Vanaspati & General Mills; (Shri K.K. Pahwa), 3-5, Model Town, Delhi-9. (Kundli-Har-

yana)—Vanaspati — 10 tonnes per day. (COB); M/s Namdurbar Oil & Vanaspati Industries Ltd; (Shri Daleep Keshavrao Gupta), Makani Manov, 6th Flour, Poddar Road, Bombay-26. (Namdurbar, Maharashtra)—Vanaspati —25 tonnes per day. (COB); M/s B. Rajindra Oil Mills & Refinery; Afzalganj, Hyderabad-12. (Azambad, Andhra Pradesh) — Vanaspati — 25 tonnes per day. (COB); M/s Prabhat Solvent Extraction Industries Pvt. Ltd; Rajendra Road, Manavadar, Gujarat. (Manavadar—Gujarat) — Vanaspati — 40 tonnes per day. (COB); M/s Rajmuk Udyog Ltd; Baroda. c/o Shri Mukul Jain, 6, Hasting Park Road, Calcutta-27. (Baroda-Gujarat)—Vanaspati — 50 tonnes per day. (COB); M/s Adarsh Vanaspati Ghee Utpadak Sahyog Samity Ltd; Bari Pahari, P.O. Sohsarai, Distt: Patna. (Bihar). (Nalanda-Bihar)— Vanaspati — 50 tonnes per day. (COB); M/s Oswal Spg. & Wvg. Mills Ltd; Ludhiana, Punjab. (Ludhiana-Punjab) — Vanaspati-25 tonnes per day. (COB); M/s Mewar Industrial Corpn.; 305, Ashok Nagar, Udaipur (Rajasthan). (Udaipur-Rajasthan) — Vanaspati —25 tonnes per day. (COB); M/s Omrao Industrial Corporation (P) Ltd; c/o Shri Ram Sharma, 34, Usha Kiran, Carmichael Road, Bombay. (Kanpur-Uttar Pradesh)—Vanaspati —40 tonnes per day. (COB); TheAmritsar Sugar Mills Co. Ltd; G.T. Road, Amritsar, (Punjab). (Amritsar-Punjab) — Vapaspati — 100 tonnes per day. (COB); M/s H.P. Oil Seeds Industries, (Shri Maneklal Prushotam Das Patel), 2 Shantiniketan Park, Ahmedabad-14. (Kapadwang-Gujarat)—Vanapasti — 25 tonnes per day. (COB); M/s Nirmala Oil Industries; 1956-57, T.H. Road, Madras-19. (Madras-Tamil Nadu)— Vanaspati — 25 tonnes per day. (COB); M/s Bombay Soap Factory; Ahmed Umer Street; Two Tanks, Bombay-8. (Bombay-Maharashtra)— — Vanaspati — 50 tonnes per day. (COB).

Rubber Goods

M/s Swastik Rubber Products Ltd; Behind Kirkee Railway Station, Kirkee-Poona-3. (Kirkee-Maharashtra)—i. Automobile rubber parts & extruded rubber goods—960 m. tonnes p.a. ii. Moulded rubber goods—1440 m. tonnes p.a.—after expansion. (SE)

Leather

M/s Hindustan Tannery; 129, South Tangra Road; Calcutta. (Calcutta-West Bengal)—i. Cow leather—32,500 pieces p.a. ii. Wet blue chrome tanned goat skins — 12,.35 lakhs nos. p.a. (COB).

Cement

M/s Cement Corporation of India Ltd; 5-A, Bahadur Shah Zafar Marg, Herald House, New Delhi. (Bokajan-Assam)—Portland cement—200,000 tonnes per annum. (NU)

Letters of Intent

Metallurgical Industries

Shri S.N. Bhingra, Founder Director, Vanadium Corporation of India (Proposed): 5/36 Rajinder Nagar, New Delhi-5. (Singhbhum-Bihar)—Ferro-vanadium—350 tonnes per annum. (NU).

Prime Movers

M/s Menon & Menon Pvt. Ltd; Vikramnagar, Kolhapur-3. (Kolhapur-Maharashtra)—Diesel engines below 200 HP—200 nos. p.a. (NA).

Electrical Equipment

M/s Mysore Electro-Chemical Works Ltd; Yeshwantpur, Bangalore-22 (Yeswantpur, Bangalore) (Mysore)—(a) Traction batteries—10,000 nos. p.a. (b) Stationary batteries — 10,000 nos. p.a. (double shift). (SE); Shri B.K. Gupta; 802, Joshi Road, New Delhi-5. (Haryana/Punjab/UP/Delhi)—(1) Automotive & batteries —1.2 lakhs p.a. (2) Stationary cells —0.10 lakhs p.a. (3) Traction batteries — 0.10 lakhs p.a. (double shift basis). (NU); Shri M.N. Ramakrishnan; Golf Link Road, Kawdiar, Trivandrum (Kerala). (Bangalore-Mysore)—Battery containers —2.5 lakh nos. p.a. (double shift basis). (NU); Shri K.P. Singh; 14, Aurangzeb Road, New Delhi. (Faridabad-Haryana)—(a) Autonotive batteries— 1.20 lac nos. p.a. (b) Stationary batteries—0.10 lac nos. p.a. (double shift basis) (NU); Shri Sudarshan Lall & Ashok Khanna; D-274, Defence Colony, New Delhi-3. (Gurgaon-Haryana)—Storage batteries (automotive) — 50,000 nos. p.a. (double shift basis) (NU); M/s Calcutta Electric Lamp Works Ltd; 3, Mangoe Lane, Calcutta-1. (Belighata-West Bengal)—GIS lamp (15 to 250 w) —4.5 million nos. (double shift basis). (NU).

Telecommunication

M/s Welding Rod Mfg. Co,; P.B. No. 20, Industrial Estate, Udhna (Surat). (Udhna-Gujarat)—Welding electrodes —120 million feet per annum (after expansion (SE).

Transportation

Shri B.C. Desai; 'Matru Chhaya', Ashoknagar, Kandiylee East Bombay (Ahmedabad-Gujarat)—Gaskets—20,00,000 nos. per annum. (NU); Shri S. Ramachandran; Partner, M/s Engineering Tools and services, Unit No. 2; Ambattur Industrial Estate, Madras. (Tamil Nadu)— Pistons, piston rings and piston pin—5 lakhs, 40 lakhs, 5 lakhs, respectively per annum. (NU); M/s Mopeds India Limited; Central Office No. I V.Palaniswamy Naidu Street, Avanashi Road, Coimbatore-18. (Tirupathi-Andhra Pradesh)—Mopeds (50 c.c.)—15,000 nos. per annum (after expansion). (SE);

Industrial Machinery

M/s Mahlo-Star Electronic Equipment Pvt. Ltd; Shri Luxmi Woollen Mills Estate, Mahalaxmi, Bombay. (Bombay-Maharashtra) — Non-contact radiation temperature measuring & automatic controlling equipment — Thermostat—30 units per annum. (NU).

Mechanical Industries

Shri Basant Kumar Mehta; Promoter, P-375, Block 'C' New Alipore, Calcutta-53. (Faridabad-Haryana)—1. Rigid PVC film 750 tonnes p.a. 2. PVC blown container— 6 million nos. p.a. 3. Thermoplastic extruded section PVC— 300 tonnes per annum. (NU).

Mathematical Instruments

Shri V.N. Nevatia; Kamal Mahal, Flat No. 11, Carmichael Road, Bombay-26. (Bombay-Maharashtra) — Precision measuring tools (capacity to be fixed by DGTD) (NU).

Fertilisers

M/s Usha Mart in Block (Wire Ropes) Limited; 14, Princess Street, Calcutta-13. (Tatisilwai-Bihar)—Fine wire ropes — 7920 tonnes per annum after expansion (SE).

Chemicals

M/s Monsanto Company; St. Loius MO, USA (Mahrashtra)—(1) Rubber chemicals 3,300 tonnes p.a. (2) Intermediates 3,400 tonnes per annum. (NU); M/s The Fertilizer Corporation of India Ltd, Trombay Unit, Malvalli, Chembur, Bombay (Maharashtra) — Dimethylether — 825 tonnes per annum. (NU); M/s Bayer (India) Ltd; 82, Veer Nariman Road, Bombay-1. (Balkum, Thana-Maharashtra — (i) Rubber chemicals expansion from — 1903 to 6665 tonnes per annum (ii) Intermediates 2460 tonnes per annum. (SE); M/s Amar Dye-Chem. Ltd; Rang Udyan, Sitladevi Temple Rd. Mahim Bombay-16. (Tamil Nadu/Gujarat/Maharashtra)—(i) Rubber chemicals — 3,850 tonnes p.a. (ii) Intermediate — 4,400 tonnes per annum. (NU); M/s Bharat Pulverising Mills (P) Ltd; Hexamar House, Sani Road, Bombay-25. (Bombay-Maharashtra)—(i) Pyrethrum extract—4,000 litres per annum. (ii) Disinfectant (phenyl)—2,40,000 litres per annum. (NA).

Drugs & Pharmaceuticals

Dr K.P. Karanth; B-11, Industrial Estate, Sanatnagar, Hyderabad. (Sanatnagar-Andhra Pradesh)—(1) 3-Cyano-

pyridine—100 tonnes p.a. (2) 4-Cyanopyridine—100 tonnes p.a. (NU); M/s Stork India Ltd; C/o M/s Associated Textile Engineers, 43, Forbes Street, Fort Bombay-1-BR. (Ahmedabad- Gujarat)— Perforated screens for rotary screen printing machines—10,000 nos. per annum. (NU).

Food Processing

The Chief Promoter, Niyojit Starch Factory; Ghataprabha, Dist. Belgaum, (Mysore) — Maize starch—12,000 tonnes per annum. (3 shift basis) (NU); Punjab State Industrial Development Corporation Ltd: United Commercial Bank Building. Sector 17-A, Chandigarh (Punjab) —(i) Maize starch - 7,500 tonnes: (ii) Liquid glucose - 3500 tonnes, (iii) Dextrose-3500 tonnes,(i v) Maize-germ —2000 tonnes, (v) Gluten—3000 tonnes, (vi) Husk fine & coarse bran extract 3000 tonnes. per annum. (NU).

Rubber Goods

Punjab State Industrial Development Corporation Ltd; United Commercial Bank Building, 3rd Floor, P.B. No. 81, Chandigarh. (Ludhiana-Punjab) —Automobile tyres and tubes - 300 lakh nos. p.a. (NU); The Tamil Nadu Industrial Development Corporation Ltd: 150-A, Mount Road, Madras-2. (Tamil Nadu) — Automobile tyres and tubes—3.0 lakh nos. per annum. (NU); Gujarat Industrial Investment Corporation Ltd; 4th Floor, Natraj Chambers, Ashram Road, Ahmedabad-9. (Gujarat)—Automobile tyres and tubes — 3 lakh nos. per annum. (NU); Industrial Development Corporation of Orissa Ltd; Bhubaneswar—Orissa) (Orissa)—Auto mobile tyres and tubes —3 lakh nos. per annum. (NU); The Andhra Pradesh Industrial Development Corporation Ltd; B-1-174, Fateh Maidan Road, Hyderabad. (Hyderabad-Andhra Pradesh) Automobile tyres and tubes—3 lakh nos. per annum. (NU); M/s West Bengal Dealers Syndicate Ltd; 4, Middleton Street, Calcutta-16. (Adityapur-Bihar) -Regenerated rubber -2,400 tonnes per annum. (NU); Goodyear India Ltd; 223-C, Acharya Jagdish Bose Road, Calcutta-20. (Balabgarh-Haryana)—1. Fan belts and V Belts - 10 lakh nos. per annum. 2. Compass cord belts - 10,000 nos. per annum. 3. Cone drive belts - 10,000 nos. per annum. 4. Brake chamber diaphragms—one lakh nos. per annum. (NU); M/s Sathyanarayana Bros.: 25, Edward Elliots Road, Mylapore, Madras-4. (Thirukalikundran-Tamil Nadu) — Tylox rubber gasket—12,500 nos. (NU).

Chemicals

M/s Reliable Traders; 47, Pydhonie Road. Khadak, Bombay-9. (Bombay-Maharashtra)—Ossein and Di-calcium phosphate—4,5000 tonnes and 9,000 tonnes per annum respectively. (NU).

Changes in the names of Owners or Undertakings

(Information pertains to particular licences only)

For M/s British India Corporation Ltd; Kanpur to M/s Cawnpore Textiles Ltd, Kanpur.

Licences Revoked or Surrendered

(Information pertains to particular licences only)

M/s Orient General Industries Ltd, Calcutta—Fractional horse power electric motors, intergal electric motors and special type electric motors such as flame proof, explosion proof. M/s Bajaj Electricals Ltd; 45-47 Veer NarimanRoad, Bombay—1, Load manual, motor or automatic control voltage regulators and boosters. M/s Punjab Co-operative Spinning & Textile Mills Ltd., Uklana—Cotton yarn.

Company Notices

INDIAN COPPER CORPORATION LIMITED

(Incorporated in England with liability of its members limited)

DIVIDEND NO. 45.

NOTICE IS HEREBY GIVEN that at the Fortyseventh Annual General Meeting to be held in Committee Room No. 2 (2nd Floor) of the Bengal Chamber of Commerce and Industry, Royal Exchange, Calcutta-1, on Wednesday, the 21st July, 1971 at 11-30 A.M. the Directors will recommend payment of a Dividend (No. 45) for the year ended 31st December, 1970 of 11.111% (1.111 Pence i.e. 20 Paise per unit of stock) subject to deduction of Tax, in respect of the Issued Capital £2,571,188, amounting to £285,688 (last year 8.889% amounting to £228,550). Subject to confirmation of members, the dividend will be paid on or after the 16th August, 1971 to all members registered in the books of the Company at the close of business on the 10th May, 1971.

The Registers of Members will be closed from the 11th May, 1971 to the 29th May, 1971, both days inclusive.

The profit before Taxation for the year ended 31st December, 1970 after providing £296,747 for depreciation (£319,669 last year) and £20,974 for Development Rebate Reserve (£135,798 last year) was £1,718,357 (against £1,225,126 for previous year), out of which £861,111 has been provided for Taxation (against £530,556) leaving a net profit for the year of £857,246 (against £694,570). To this has been added, £38,204 (last year £41,919) being the Development Rebate Reserve written back in respect of prior year, making a balance available for distribution of £895,450 (against £736,489). Out of this balance, £34,397 (against £35,477) has been transferred to Reserve for Capital Development, £ Nil (against £11,671) to Capital Reserve and the balance £861,053 (against £689,341) to General Reserve. The Directors will recommend the payment of the dividend referred to above out of General Reserve.

BY ORDER OF THE BOARD,
S N. SINGHANIA,
Secretary.

Gillander House,
Netaji Subhas Road,
CALCATTA-1.

Dated the 21st April, 1971.

THE GWALIOR RAYON SILK MFG. (WVG.) CO. LTD.

REGD. OFFICE : BIRLAGRAM, NAGDA, M.P.

"NOTICE"

Notice is hereby given that the Board of Directors of the Company at their Meeting held on 15th April, 1971 have declared dividends on the Preference Shares of Rs 100 each in the Company, @ Rs 8.57 per share on Series 'A' and 'B' and @ Rs 9.30 per share on Series 'C' for the year ending 31st March, 1971, subject to deduction of tax under the provisions of Incometax Act, 1961.

The dividends will be paid on or after Thursday the 20th May, 1971 to those shareholders whose names stand on the Registers of Members of the Company as at the close of Friday, the 7th May, 1971.

It may be noted that the Registers of Members and the Transfer Books of the Company relating to the above shares are not being closed for the above purpose.

By Order of the Board

B.N. Puranmalka
Secretary

Birlagram, Nagda
16th April, 1971.

RECORDS AND STATISTICS

Wholesale Prices

THE WHOLESALE prices as measured by the official index (with the year ended March 1962=100) declined by 1.0 per cent to 181.4 in February 1971 as compared to 183.3 for January 1971. (In February 1971 the index was higher by 4.5 per cent when compared to 173.6 for February, 1970). During the month under review, 'food articles' receded by 1.0 per cent to 199.1. 'liquor and tobacco' by 0.2 per cent to 184.2, 'industrial raw materials' by 3.5 per cent to 199.3, 'chemicals' by 1.4 per cent to 187.1 and 'manufactures' by 0.4 per cent to 160.8, while 'machinery & transport equipment' advanced by 0.5 per cent to 151.1 as against 150.4 for the previous month. The index for 'fuel, power, light & lubricants' stood unchanged at its previous month's level of 162.7.

Food articles

Higher prices of rice and ragi increased the sub-group index for cereals by 0.4 per cent to 193.6 while the prices of bajra, maize and barely moved down. Lower prices of all the pulses (except masur) brought down the index for the sub-group for pulses by 4.8 per cent to 234.9. On the whole the index for 'foodgrains' declined by 0.8 per cent to 201.1. (At this level the index for 'foodgrains' was lower by 5.1 per cent when compared to the corresponding month of the last year). An increase of 6.2 per cent to 198.0 in the sub-group index for 'fruit and vegetables' was caused by higher prices of oranges & bananas, while the prices of potatoes and onions moved down during the month under review. The sub-group index for 'milk and milk products' advanced by 0.1 per cent due to a rise in the price of milk. The price of ghee, however, declined. The sub-group index for 'edible oils' receded by 5.5 per cent to 221.2 due to a fall in the prices of all the oils. The index for 'fish, eggs and meat' advanced by 0.7 per cent to 217.1 on account of higher prices of fish and meat. However, the price of eggs declined. A fall of 0.9 per cent to 173.7 in the sub-group index of 'sugar & allied products' was caused by lower prices of gur and khandsari. In the case of other food articles the prices of black pepper, chillies, cloves, tea, coffee, betelnuts and salt declined while cummin and cardamoms rose; consequently the index for this sub-group drifted lower by 1.9 per cent to 177.6.

Liquor & tobacco

The indexfor 'liquor & tobacco' came down by 0.2 per cent to 184.2, during the month under review due to a slight fall in the prices of tobacco raw.

Fuel, power, light and lubricants

The index for this group remained unchanged at its previous month's level of 162.7.

Industrial raw materials

The index for 'fibres' sub-group recorded a fall of 1.9 per cent to 195.7 in February 1971 due to a fall in the prices of jute raw and mesta, but the prices of wool raw moved up. The index for 'oilseeds' sub-group declined by 5.8 per cent to 219.6 on account of lower prices of all the oilseeds (except gingelly seed, which moved up).

INDEX NUMBERS OF WHOLESALE PRICES BY GROUPS AND SUB-GROUPS OF COMMODITIES

(Base: 1961-62=100)

Groups and sub-groups	Monthly average			Percentage increase (+) or decrease (—) in Feb. 1971 as compared to	
	Feb. 1971	Jan. 1971	Feb. 1970	Jan. 1971	Feb. 1970
Food articles	199.1	201.1	197.1	−1.0	+1.0
Foodgrains	201.1	202.7	211.9	−0.8	−5.1
Cereals	193.6	192.9	203.6	+0.4	−4.9
Pulses	234.9	246.8	247.4	−4.8	−5.1
Fruits and vegetables	198.0	186.6	180.1	+6.1	+10.0
Milk and milk products	210.8	210.5	193.1	+0.1	+9.2
Edible oils	221.2	234.0	213.5	+5.5	+3.6
Fish, eggs and meat	217.1	215.5	202.0	+0.7	+7.5
Sugar and allied products	173.7	175.2	154.9	−0.9	+12.1
Others	177.6	181.1	213.5	−1.9	—16.8
Liquor & tobacco	184.2	184.6	184.8	—0.2	—0.3
Fuel, power, light & lubricants	162.7	162.7	156.0	Nil	+4.3
Industrial raw materials	199.3	206.5	184.3	−3.5	+8.1
Fibres	195.7	199.5	159.1	—1.9	+23.0
Oilseeds	219.5	233.0	215.6	−5.8	+1.8
Minerals	141.1	141.1	132.0	Nil	+6.9
Others	169.8	170.0	166.6	−0.1	+1.9
Chemicals	187.1	189.7	186.8	−1.4	+0.2
Machinery & transport equipment	151.1	150.4	139.5	+0.5	+8.3
Electrical machinery	149.2	149.0	135.5	+0.1	+10.1
Non-electrical machinery	160.0	158.6	143.6	+0.9	+11.4
Transport equipment	136.9	136.9	135.5	Nil	+1.0
Manufactures	160.8	161.5	147.9	−0.4	+8.7
Intermediate products	186.6	188.7	171.6	−1.1	+8.7
Finished products	154.4	155.0	142.1	—0.3	+8.7
Textiles	160.3	160.5	140.1	—0.1	+14.6
Cotton manufactures	158.9	157.0	136.7	+1.2	+16.2
Jute manufactures	174.6	182.0	154.8	—4.1	+12.8
Silk and rayon manufactures	121.8	120.7	114.3	+0.9	+6.6
Woollen manufactures	182.0	182.0	177.3	Nil	+2.7
Coir mats and mattings	175.8	175.8	165.8	Nil	+6.0
Metal products	166.2	166.2	156.4	Nil	+6.3
Non-metallic products	145.4	145.0	135.2	+0.3	+7.5
Chemical products	149.5	149.5	138.0	—0.1	+8.3
Leather products	92.1	92.1	92.1	Nil	Nil
Rubber products	156.3	155.4	157.5	+0.6	—0.8
Paper products	124.7	124.7	120.4	Nil	+3.6
Oilcakes	183.5	193.5	211.7	−5.2	−14.2
Misc. products	122.9	122.9	120.3	Nil	+2.2
All commodities	181.4	183.3	173.6	—1.0	+4.5

Source: Economic Adviser to the Government of India.

The sub-group index for 'minerals' remained unchanged at its earlier month's level of 141.1. The index for 'other industrial raw materials' stood at 169.8, as against 170.0 for the earlier month. The prices of hides raw and lac declined while the prices of tanning materials went up.

Chemicals

The index for 'chemicals' group witnessed a fall of 1.4 per cent to 187.1 as against 189.1 for the previous month on account of lower prices of sodium hydrosulphite and copper sulphate. The price of bleaching powder, however increased.

Machinery and transport equipment

The sub-group index for 'electrical machinery' rose by 0.1 per cent to 149.2. The index for non-electrical machinery moved up by 0.9 per cent to 160.0 due to a rise in the prices of machinery other than electric, textile stores and beltings. Transport equipment, however, remained unchanged at its earlier month's level of 136.9.

Intermediate products

Lower prices of cotton yarn, rayon yarn, zinc, lead, and linseed oil brought down the index for intermediate 'products' by 1.1 per cent to 186.6, although the prices of leather, brass sheets, copper sheets and tin increased.

Finished products

The index for 'textiles' stood at 160.3 as against 160.5 forthe earlier month. The prices of jute manufactures declined by 4.1 per cent to 174.6 while the prices of cotton manufactures (+1.2 per cent to 158.9) and silk and rayon manufactures (+0.9 per cent to 121.8) moved up. The indices of woollen manufactures and coir mats and mattings remained stationary at their previous month's level of 182.0 and 175.8 respectively. The sub-group index for 'metal products' also stood unchanged at its earlier month's level of 166.2. The sub-group index for 'non-metallic products' showed a rise of 0.3 per cent to 145.4 due to an increase in the prices of bricks and tiles and glass manufactures. The index for 'chemical products' sub-group declined fractionally owing to a fall in the prices of paints and varnishes. The sub-group index for 'rubber products' moved up by 0.6 per cent due to higher prices of rubber tyres and tubes. The sub-group index for 'oil cakes' drifted lower by 5.2 per cent to 183.5. The sub-group indices for 'leather products' and 'miscellaneous products' remained unchanged at their previous month's level of 92.1 and 122.9 respectively. On the whole the index for finished products' declined by 0.3 per cent to 154.4 as compared to 155.0 for January 1971.

INDEX NUMBERS OF INDUSTRIAL PRODUCTION

(Base: 1960=100)

		1970		
	1969	July	August	Sept.
General Index				
Seasonally adjusted	172.4	178-4	174.1	180-2
Crude	172.5	180.0	174.8	178.9
Mining and quarrying	147.4	144.9	133.9	135 0
Manufacturing	167.2	174.0	169.2	173.9
Food manufacturing industries	137 0	153.5	148.1	147.5
Sugar (refined)	149.1	29.3	10.6	8.0
Vanaspati	142.7	167.7	134 5	129.2
Tea	108.1	218.7	225.7	221.5
Coffee curing	137.5	86.4	52.3	49.8
Cigarette manufacturing	61.4	84.5	165.4	165.2
Manufacture of textiles	109 5	116.9	110.9	112.1
Cotton textiles	111.7	117.1(a)	111.1(a)	113.1(a)
Cotton spinning	127.8	132.5	126.5(a)	128.5(a)
Weaving of cotton textiles	91.5	97.9	91.8(a)	93.9(a)
Woollen textiles	54 2	185 3	177.1	N.A.
Jute textiles	77.8	95.8	89 6	96.0
Paper and paper products	201.4	223 4	221.4	207.6
Manufacture of paper	200.2	228 4	222.9	208.9
Manufacture of paper-board	299.8	211.4	230 0	NA
Rubber products	215 5	213.7	216.6	243.9
Tyres and tubes	255.0	258.8	259 5	294.9
Chemical and chemical products	217.5	223.5	224.3	220.7
Basic industrial chemical Products (including fertilisers)	297.0	293.3	320.7	316.6
Heavy organic chemical	277.1	237.5	265.7	246.8
Heavy inorganic chemicals	308.0	3223.8	322.5	303.8

		1970		
	1969	July	August	Sept.
Synthetic resins and plastics	174.8	216.8	169.4	213.6
Synthetic fibres	223.1	248.4	236.7	192.3
Dyestuffs and dyes	198.4	151.4	232.4	229.1
Fertilisers	548.2	538.4	590.1	656.5
Paints, varnishes and lacquers	111.3	121.8	115.9	418.2
Fine pharmaceutical chemicals	156.7	156.5	156.5	156.5
Petroleum refinery products	280.8	282.4	290.4	292.4
Non-metallic mineral products	175.2	191.1	199.0	194.4
Cement	173.7	180.6	183.1	163.4
Basic metal industries	209.7	199.4	184.7	207.1
Iron and steel basic industries	201.2	180.6	162.8	187.8
Non-ferrous basic metal industries	256.0	300.8	303.6	311.5
Aluminium manufacturing	424.0	512.2	523.5	530.0
Metal products	205.1	221.6	206.2	200.8
Machinery (except electrical)	349.1	341.9	363.3	358.1
Industrial machinery	130.6	92.3	92.9	104.9
Electrical machinery	322.4	359.4	352.9	369.3
Communication equipment	646.8	650.3	668.3	723.1
Transport equipment	135.4	132.6	125.0	116.1
Motor vehicles	145.2	165.3	155.8	154.9
Motor cycles and scooters	498.0	677.9	591.3	608.0
Bicycles and tricycles	188.9	194.7	1.5.5	198.9
Electricity	301.1	337.9	NA	NA

(a) Estimated.

Source : Central Statistical Organisation

MONEY SUPPLY WITH THE PUBLIC

(Rs crores)

Last Friday	Money supply	Total currency with public	Deposit money with the public: Total	Net demand deposits of banks	Other deposits with Reserve Bank	Total Variations in money supply
1960-61	2,868.61	2,098.05	770.56	757.10	13.46	+199.16
1965-66	4,529.39	3,034.28	1,495.10	1,478.38	16.72	+449.11
1966-67	4,949.96	3,196.80	1,753.16	1,711.75	41.41	+420.57
1967-68	5,350.07	3,376.08	1,973.99	1,917.66	56.32	+400.11
1968-69	5,779.25	3,681.97	2,097.28	2,016.41	80.88	+429.18
1969-70	6,386.54	4,010.34	2,376.20	2,318.30	57.90	+607.29
January 1970	6,158.69	3,856.53	2,302.16	2,238.06	64.10	+122.74
August 1970	6,516.78	4,002.03	2,514.75	2,463.32	51.43	−68.58
September 1970	6,559.32	3,994.91	2,564.41	2,506.40	58.01	+42.54
October 1970	6,697.17	4,100.32	2,596.85	2,522.69	74.16	+137.85
November 1970	6,691.13	4,092.71	2,598.42	2,543.74	54.68	−6.04
December 1970	6,796.97	4,164.73	2,632.24	2,569.25	62.99	+105.84
January 1971	6,933.84	4,256.13	2,677.71	2,618.88	58.83	+136.87

Source : Reserve Bank of India.

RESERVE BANK OF INDIA

(Rs crores)

	April 2, 1971	A week ago	A month ago	A year ago
Issue department				
Notes held in banking department	5.49	9.59	6.31	26.71
Notes in circulation	4253.45	4211.77	4243.33	3916.97
Total notes issued	4258.95	4221.36	4249.65	3943.68
Gold coin and bullion	182.53	182.53	182.53	182.53
Foreign securities	268.42	273.42	268.42	351.42
Rupee coin	49.53	51.47	49.75	62.38
Government of India rupee securities	3758.46	3713.73	3748.94	3247.35
Banking department				
Deposits of central government	362.47	250.55	346.46	88.15
Deposits of state governments	2.38	13.37	3.80	4.66
Deposits of banks	23.47	217.47	202.71	176.25
Other deposits	87.18	71.65	76.93	172.38
Other liabilities	703.75	688.67	650.38	607.46
Total liabilities or assets	1387.24	1241.71	1280.27	1048.90
Notes and coins	5.57	9.67	6.39	26.80
Balances held abroad	84.23	77.01	98.48	117.73
Loans and advances				
(a) State governments	430.09	249.51	274.15	189.19
(b) Scheduled commercial banks	356.11	368.37	382.50	213.19
(c) State co-operative banks	293.30	306.49	314.53	267.77
(d) Other loans and advances	41.16	33.93	33.83	12.54
Bills purchased and discounted	17.56	38.08	14.22	71.64
Investments	109.16	133.15	112.07	104.47
Other assets	50.06	45.50	44.11	45.56

SCHEDULED COMMERCIAL BANKS

(Rs crores)

	April 2, 1971	A week ago	A month ago	A year ago
1. Demand deposits*	2623.03	2560.77	2578.81	2292.28
2. Deposits*	3278.11	3282.23	3296.07	2813.54
3. Aggregate deposits*	5901 14	5843 00	5874 88	5105.82
4. Cash	166.81	168.56	164.80	144.02
5. Balances with Reserve Bank	203.16	195.76	194.24	184.80
6. Cash and balances with Reserve Bank	369.97	364.32	359.04	328.82
7. Borrowing from Reserve Bank	356.11	368.37	382.51	213.19
8. Investment in government securities	1361.02	1363.58	1361.15	1201.99
9. Advances	3718.65	3702.87	3660.[illegible]	3309.38
10. Bills purchased and discounted	976.26	970.79	982.28	698.20
Inland bills	765.61	758.45	768.73	503.57
Foreign bills	210.65	212.34	213.55	194.63
11. Total bank credit	4694.91	4673.66	4642.28	4007.58
12. Percentage of				
(6) to (3)	6.27	6.24	6.11	6.44
(8) to (3)	23.06	23.34	23.17	23.54
(11) to (3)	79.56	79.99	79.02	78.49

*Excluding inter-bank borrowings

Source: Reserve Bank of India.

CONSUMER PRICE INDEX NUMBERS FOR INDUSTRIAL WORKERS

Centre	1965-66	1966-67	1967-68	1968-69	1969-70	1969-Dec.	1970					
							July	Aug.	Sept.	Oct.	Nov.	Dec.
					(1949=100)							
All-India	169	191	213	212	215	215	215	227	228	230	230	226
					(1960=100)							
All-India	—	—	—	174*	177	177	186	187	188	189	189	186
Ahmedabad	130	148	168	165	169	167	175	174	177	181	177	177
Alwaye	145	158	183	198	197	191	201	198	201	200	199	197
Asansol	140	145	168	176	178	178	188	190	193	195	196	190
Bangalore	144	159	172	180	183	181	185	186	187	188	191	190
Bhavnagar	132	152	173	176	178	178	185	188	190	188	185	185
Bombay*	130	147	152	167	175	174	182	181	182	183	183	183
Calcutta	131	148	163	170	172	175	184	185	189	190	190	185
Delhi	136	152	172	178	185	186	196	199	200	204	202	202
Digboi	138	160	198	185	180	180	188	192	193	194	196	195
Gwalior	139	160	191	179	184	184	194	196	193	195	192	186
Howrah	137	154	178	181	176	179	186	187	194	194	196	189
Hyderabad	140	158	167	173	185	182	188	189	191	193	192	191
Jamshedpur	136	158	183	171	170	168	187	188	188	189	190	181
Madras**	134	144	151	150	160	163	169	170	171	174	175	174
Monghyr	151	187	215	185	188	188	209	207	208	208	208	199
Mundakayam	138	152	173	186	191	188	201	198	203	196	196	196
Nagpur*	138	148	164	165	176	179	187	187	191	190	191	191
Saharanpur	141	163	188	176	181	181	186	185	183	187	184	184
Sholapur*	128	150	165	167	176	179	183	183	185	188	185	187

*Average of 8 months from August 1968, to March 1969.

**Figures for the period up to January 1970 have been estimated from the old Consumer Price Index Series for Madras City on Base: July 1935-June 1936 =100. From February 1970 and onwards, figure sare from the Labour Bureau's New Series on Base: 1960=100.

Source: Labour Bureau, Government of India.

CONSUMER PRICE INDEX NUMBERS FOR URBAN NON-MANUAL EMPLOYEES

(1960=100)

Centre	1965-66	1966-67	1967-68	1968-69	1969 70	1969 Oct.	1970					
							May	June	July	Aug	Sept	Oct.
All-India	132	146	159	161	167	168	171	174	175	175	176	177
Bombay	132	142	153	156	162	165	167	170	168	168	169	171
Delhi-New Delhi	131	142	154	162	168	169	171	173	174	175	175	176
Calcutta	126	139	152	156	162	165	167	170	170	172	174	175
Madras	133	147	154	154	161	160	166	167	174	175	177	178
Hyderabad-Secunderabad	133	147	155	159	167	167	172	174	175	174	175	176
Bangalore	133	145	156	160	164	165	167	168	170	172	173	174
Lucknow	132	146	159	156	161	163	163	164	166	166	169	170
Ahmedabad	131	146	160	162	168	169	171	174	173	172	175	173
Jaipur	133	150	162	168	176	178	180	185	189	188	186	185
Patna	139	160	179	174	180	181	190	192	192	192	194	194
Srinagar	134	143	160	167	174	174	179	180	179	179	182	185
Trivandrum	131	146	165	168	172	172	174	174	176	178	180	180
Cuttack-Bhubaneswar	142	154	164	167	169	170	173	175	175	177	179	178
Bhopal	133	144	166	166	172	175	174	178	181	181	182	184
Chandigarh	129	143	155	164	171	172	175	178	179	179	180	180
Shillong	123	134	155	163	164	162	162	163	168	169	167	171

Source: Central Statistical Organisation

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EASTERN ECONOMIST 19

RUPEES 1.50 MAY 7, 1971 VOL. 56

A Cabinet of Sorts
The Wolf Pack
Jute—with Vision and Boldness
West German Labour Market

Chavan had fruitful discussions with Nationalised Bank Employees


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EASTERN ECONOMIST

MAY 7, 1971

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A CABINET OF SORTS

FOR A PRIME Minister whose followers and flatterers are never tired of chattering about the massive mandate the electorate has given their leader, Mrs Indira Gandhi is strangely diffident about reorganising and energising her Council of Ministers. Her latest exercise in this direction, for instance, was so inconsequential that it did not even justify the cost to the exchequer of the President interrupting his tour of the south to fly to New Delhi for swearing in the new ministers.

Not that the induction of Mr Uma Shankar Dikshit is not a welcome step. It is true that he has reached the biblical three score and ten, but as this journal wrote in its issue of March 26 (page 502), Mr Dikshit has rightly earned a place in the cabinet by virture of the important role he has been playing as a trusted adviser and confidant of the Prime Minister in party and governmental affairs. It is generally desirable that situations *de facto* should be brought within the knowledge of the public as situations *de jure* and in the case of Mr Dikshit, there is also reason to believe that the Council of Ministers would gain by his membership of it. The appointment of Mr C. Subramaniam as Minister for Planning, which preceded by a few days the latest round of changes in the composition of the central ministry is also a decision on which the Prime Minister may be congratulated. If we may be permitted to refer once more to the article in this journal which has been mentioned already, we had stated even then that there was no reason why the Prime Minister should lose time in drafting Mr C. Subramaniam.

Apart from these fairly obvious decisions, the Prime Minister has continued to be unimaginative and unadventurous. That she has been able at last to drop Mr K. K. Shah does her credit no doubt, but her persisting inability to persuade sticky ministers such as Mr Fakhruddin Ali Ahmed or Mr Hanumanthaiya to vacate their places in government in favour of more energetic or otherwise eligible individuals is a disturbing commentary on the failure of her judgment or will to assert itself in matters of state. The result is that the Council of Ministers is yet to gain a collective personality of any particular distinction. Incidentally, it will certainly be frustrating to some of the existing Ministers of State that their just claims for promotion seem to have been overlooked for no better reason than that the Prime Minister has personal problems in rewarding merit in aspirants or resisting the pleadings of insistent incumbents.

In this circumstance, it is but natural that the Council of Ministers should continue to give an impression of incompleteness. It is possible that Mrs Gandhi has some surprises up her sleeves and that she may pull them out even before Parliament assembles for the budget session which is only three weeks away. Meanwhile speculation naturally persists about what her ideas about and plans for local satraps such as Mr Brahmananda Reddy or Mr V.P. Naik are and also how she proposes to encourage her followers in Gujarat and elsewhere by giving them more meaningful representation in the Council of Ministers. Simultaneously a wider public will continue to have a grievance that for all her brave words the Prime Minister has not so far been able to provide the country with a ministry which, in its collective personnel, is not more than second rate.

Finally, while the emergence of Mr C. Subramaniam as Deputy Chairman of the Planning Commission has aroused disproportionate enthusiasm and expectations in the country, there are no firm facts about the shape of things to come at Yojana Bhavan for reasonable or responsible observers to feed their hopes with. It is indeed regrettable that both the Prime Minister and the Minister for Planning should be so evidently unprepared for the task of completing the constitution of a reorganised Planning Commission. Here again, there is evidence that Mrs Gandhi has chosen to discharge her important responsibility for government-making in a casual or even cavalier manner. She could hardly have done worse had it been her deliberate intention that the nation should get the impression that the human material at her command is grievously deficient in talent. The human element is as important for clean and good government as it is for any other worthwhile public purpose. It is indeed most unfortunate that, after expressing their simple enthusiasm for Mrs Gandhi and her promises and pledges, the electorate should find so soon after the election that the Prime Minister does not have or cannot find an adequate team of public men of unimpeachable integrity and sufficient competence to lead the country in the difficult days ahead. Over the last 25 years, the nation has been compelled to accept a steady deterioration in the quality of its leaders in government and while it cannot therefore be complained that the present Prime Minister has brought about the situation that obtains today in this respect, Mrs Gandhi cannot escape blame for letting things drift further in the same direction.

The Wolf Pack

THE WOLF Pack is in full cry and the quarry is, as the jargon goes, the monopoly press. The irrepressible Mr Inder Gujral, the ubiquitous Mrs Nandini Satpathy and the sinister and scheming Mr Raghunatha Reddy, have all been vocal in recent days threatening governmental measures to curb the big newspapers. Mr H.R. Gokhale, who ought to know better, has also lent his voice to this chorus. The charge against these newspapers is that they had not been fair to the ruling party on the occasion of the recent general election. One of the grounds on which this charge is sought to be sustained is that this section of the press had failed to anticipate the sweeping victory of Mrs Gandhi's party. Granted that the big newspapers had failed to anticipate the behaviour of the ballot box, how can that be considered a crime against the community?

It is an obvious truth that the dimensions of the success, whether of Mrs Gandhi's party or that of the DMK in Tamil Nadu, took everyone by surprise—so much so, the immediate reaction in some quarters to the election results was a suspicion that something had gone wrong somewhere. Indeed, there was a crop of rumours that a fraud of gigantic proportions had been committed on the electorate. We refer here to these impressions in the public mind only for the purpose of pointing out that, except for some astrologers who in any case had nothing to lose — not even their reputation —, very few were prepared for the kind of verdict which the ballot box eventually delivered. The big newspapers therefore were not alone in their failure to anticipate the election results. The small newspapers too failed similarly — excluding of course that section of the press which is a creature or a captive of Mrs Gandhi's party or its allies; newspapers of this description naturally were noisily insisting on the excellent prospects of the political interests they were serving.

Granted that the big newspapers had not been able to assess the attitude of the electorate correctly, how does it follow that the political parties which proved successful in the elections can have a grievance against the former for which redress would lie in punitive governmental action against the erring press? If the criterion of performance to be applied to the press is its efficiency in correctly forecasting political developments or events would it not become permissible for the community to judge other institutions in similar terms? For instance, if the price level rises contrary to the prognostications or assurances of the spokesmen of the government, would it not amount to culpable conduct on the part of the latter? If it does, what are the social sanctions which the community has against such a government, especially when it has been so impressively demonstrated that political parties could sweep the polls by reasons which have nothing to do with the records in providing good and clean administration?

If what really irks Messrs Gujral and company is that the big newspapers had not campaigned for certain political parties or interests, the short answer is that no public interest is involved here. In a democratic political system in which more than one political party is entitled to function, it is as much the right of individual newspapers as it is of individual politicians to choose their respective politics. So far as legitimate publicity for the election campaigns of the Prime Minister's party or its political allies is concerned, the big newspapers have certainly done their duty in the normal course of their reporting. As a matter of fact, in the very nature of things, they had found it a part of their professional obligation or service to the readers to give plenty of space to the electioneering activities of political leaders such as the Prime Minister, the chief ministers or other ministers of the central or state governments. It would be absurd surely for anybody to pretend that Mrs Indira Gandhi's electioneering had suffered due to inadequate publicity in the big newspapers for her speeches or other activities.

If the complaint is that certain newspapers — and in this group must be included many newspapers other than those coming within Mr Gujral's condemned circle of 'big newspapers'—had editorially expressed the view that the country might benefit from one political party rather than another or one combination of political parties rather than another coming to power at the centre or in a state, it must be stated very firmly indeed that only practitioners or would-be practitioners of the politics of totalitarianism would demand that newspapers should not be free to advocate the causes of parties of their choice. To sum up, Messrs Gujral and company seem to resent the fact that a free press has insisted on using its freedom.

In the ordinary course the country should be able to afford to let such political groups nurse their grudge. Unfortunately the sweeping nature of the election victory of the party to which these politicians belong has made it possible for the authority of the state and the machinery of government to be used for settling scores. There is reason to believe that the series of outbursts against the big newspapers by the ministers of the central government to whom we have referred here is a prelude to measures which the Prime Minister and the central cabinet may persuade themselves to adopt for putting checks on or creating difficulties for the big newspapers. Given the fortunate limitations that the Constitution imposes on the government acting in a manner which is prejudicial to the proper functioning of a free press, it may be expected that the powers that be would explore all possible means of bringing political pressure on the management of big newspapers to submit themselves to forms of structural reorganisation that may compel them to function only on lines which are acceptable or advantageous to the party in power or the government of the day. It is possible that the public declamations of Messrs Gujral and company are a preliminary exercise in softening up the will to resist of the 'marked' newspapers.

This apart, there is certainly enough ingenuity to be found in the government

Eastern Economist 25 Years Ago

MAY 10, 1946

The interim plan for cotton industry announced by the Government of India last week and based on the report of a committee appointed in February, 1945, to advise them on post-war planning of the industry contains a number of important features which deserve examination. In the first place the plan is to be an all-India one, embracing within it the States no less than the provinces. The targets of production, the location of the new mills, the distribution of spindleage and looms, the conditions to be imposed are to apply over the whole of the country. What weight is attached to this aspect of planning by the Committee may be seen from the warning they utter that "if the Government of India cannot arrange for the compliance of all provinces and States to the principles of this post-war plan we are of the opinion that the whole question of planning for the expansion or erection of new mills in India must be abandoned." These are strong words, and from a body of business men perfectly understandable. Unfortunately the matter is not so simple as the Committee seem to think. With the future constitution of India in the melting pot, the present Government cannot enforce the principle, however much they may approve it.

to think of other or more direct measures to weaken the position of the big newspapers, particularly by hitting at their finances. Against this background there is every reason to expect that the forthcoming budget may present proposals for taxing heavily the advertisement revenues of the bigger or perhaps only the 'big' newspapers. At this stage, it is difficult to see what these newspapers or a wider public interested in the freedom of the press as a safeguard of democracy could do to discourage this possible threat to the independence of newspapers. It will nevertheless be useful to state our just fears about what may possibly be the government's intentions since this itself would help public opinion to recognise the true nature of the government's proposals or decisions as and when they are made public.

Jute—With Vision and Boldness

MR L.N. Mishra, the union Minister of Foreign Trade, in his address to the annual meeting of the Indian Jute Mills Association in Calcutta last month, urged the industry to act "with vision and boldness now" lest it should very soon find itself left behind by its rivals. But the jute industry cannot by its own efforts do much to improve its competitive strength unless the Government of India also acts with "vision and boldness". But Mr Mishra's speech did not provide much evidence of a new approach on the part of the Government of India towards the problems faced by the jute industry. It seems too optimistic and, in some places, revealed even a complacent attitude.

The minister devoted more attention to the rising domestic demand for jute goods than to the problems relating to exports. He appealed to the industry to realise the significance of the "vast and truly amazing prospects" arising from the internal demand for jute goods. But can the industry derive much satisfaction from this trend when the government, as the largest purchaser of jute goods, has been niggardly in offering a reasonable price for its products and, more unfortunately, does not pay promptly even the amounts due to the mills at the uneconomic rates? The government absorbs nearly 50 per cent of the total tonnage of jute goods but how exactly has it been dealing with the industry? This is what Mr Wahi, the outgoing President of the IJMA, said: "The Association entered into a long-term agreement to deliver to the Director General of Supplies and Disposals 1.20 lakh tonnes of B. Twills over a 15-month period from January, 1970. This deal, however, placed the supplying mills in a very difficult position. The terms of contract left much to be desired and turned out to be heavily weighted against the mills. Mills had to sell at a price which was far below the market price: in cases where they did not manufacture B. Twills, mills had to secure the goods from the market so as to honour their contracts with the DGS&D: mills had, moreover, to forgo large amounts as penalty in the absence of a *force majeure* clause in the contract, over and above the most exasperating delays in payments which occurred. Very briefly, I am constrained to say that the agrreement with the DGS&D damaged the liquidity position of the mill companies very grieously."

If New Delhi has been unhelpful in regard to domestic sales, it has been unimaginative in its approach to the export problems of the jute industry. It continues to levy export duties even after their harmful consequences have been clearly revealed during the last years by making our jute goods less competitive in the world markets. Mr Wahi suggested that the abolition of export duties would not be enough. It was important to provide suitable incentives in the form of cash assistance to the mills on their consumption of raw jute, tax credit certificates for exports and full drawback of all local taxes.

Mr Mishra was silent on this subject presumably because it was mainly the concern of the Ministry of Finance. But unless Udyog Bhavan strongly supports the case of the jute industry, Mr Chavan is unlikely to announce any export incentives during the forthcoming budget. The incentives need not necessarily be exactly on the lines suggested by the IJMA. They can take other forms. But the point is that unless something is done in this direction, the fight against synthetics cannot be carried on successfully. Mr Wahi's warning on this aspect deserves careful consideration by the union Ministry of Finance. He said: "Our sandbag market for jute in the US, which used to account for a cut-up of some 230 million yards of fabrics annually, has gone to synthetics. The extent of the threat to jute carpet backing from this source is underscored by the fact that the share of jute in the total primary backing used in the US tufted carpet production declined from 80.6 per cent in 1968 to 61.6 per cent in the third quarter of 1970. Over the same period the share of synthetics has gone up from 16 per cent to 33 per cent. The irony of our export performance last year lay in the fact that the largest contribution to the decline in exports came from jute carpet backing, hitherto known as the industry's saviour, and foreign exchange earnings from this item alone, which amounted to Rs 110 crores in 1969, went down to only Rs 60 crores over the next 12 months."

Mr Mishra regretted that the industry's response to the government's appeal to expedite expansion and modernisation had been "extremely poor". He also deplored the lack of 'any serious interest on the part of the industry in research and produce development". But Mr Mishra did not consider how the industry could enthusiastically carry out its programme of modernisation and research when money was not forthcoming even for day-to-day working. As Mr Wahi said, "mills are desperately short of working funds. Heavy trading losses in previous years on top of the huge capital investments made on plant rehabilitation and installation of broad looms have greatly strained their financial resources. The requirement of working capital has, however increased many times in recent years because of a large rise in the mills' conversion and raw jute costs. To make matters worse, the mills do not now obtain any inter-trade accommodation which they previously enjoyed". Mr Wahi added that while the industry had urged on the Reserve Bank and the State Bank to reduce the margin on the mills' drawing powers against their cash-credit limit, the latter had increased them!

Mr Mishra called upon the jute growers to "redouble their efforts" to step up production of jute and mesta to the maximum. But how is this going to be achieved when, in Mr Wahi's words, there are "staggering gaps" between the requirements and supplies of improved seeds, fertiliser, insecticides, and agricultural implements? Is it surprising then that the average yield of jute has not reached even three bales to the acre? It is not clear whether, and how, the Jute Corporation is going to play its part in improving the productivity of raw jute. Unless the state governments concerned take a special continuous interest in the cultivation of raw jute, it will be difficult to achieve the target of 84 lakh bales for the 1971-72 season.

Neither Mr Wahi nor Mr Mishra commented on the impact of Bangla Desh on the prospects for our jute industry. This was understandable since the situation across the border continues to be uncertain. Even so, New Delhi should remain alert and be more responsive and sympathetic to the problems faced by our jute industry.

"IGADA in Almora"

The article under the above caption by the Editor which appeared on pages 755-57 of 'Eastern Economist' dated April 30, 1971, summed up the impressions of a recent visit to the project under the auspices of the Embassy of the Federal Republic of Germany in New Delhi.

Performance Audit in Action

P. CHATTOPADHYAY

THE *Audit Report Commercial*, issued ever year by the Comptroller and Auditor-General of India (CAG) since 1963, has not received the kind of attention in our country that it should have. True, the *report* is placed in Parliament. The recommendations and observations made in it are taken over by the Committee on Public Undertakings for pursuance with the government for implementation. The *report* has been available in a handy published form year to year. But in spite of all this, there does not appear to have been any serious objective discussion on it, excepting, of course, the casual references from time to time in various sections of the press. There are several reasons for this rather unsual case of under-utilisation of analysis and information, if not indifference. One immediate reason is perhaps that the *report* probes into the failings and the accounting lapses of the public undertakings in which many are not interested.

Detailed Examination

The detailed examination relates to selected undertakings from year to year and there is not much of continuity of information thrown up in the process. Since 1963, for instance, one gets highly relevant details regarding Hindustan Steel, the Nepa Mills, the two air corporations, the National Coal Development Corporation, Hindustan Insecticides, the National Minerals Development Corporation, Fertilizer Corporation of India (different units in different years), the Oil and Natural Gas Commission, etc. Viewed in isolation, the observations on individual undertakings do not have much of a general appeal. However, viewed as case studies in performance audit, the *report* carries a message which is at once interesting and instructive. It also shows a trend in the context of the attitudes and approaches of the CAG towards elevating this exercise from the status of routine official audit to that of an expert inquiry intending to assist the undertakings to run better. This is indeed a major break in the sense that instead of merely examining the accounts that audit implies, and of reporting on the accounting lapses or on the propriety of expenditure, the trend is towards gauging the operations in the light of objectives and reporting on the realisation thereof involving different policies of management and the government.

Since 1963, the *Audit Report Commercial* has undergone some transformation. The unassuming, slick volume of 1963 contained information and analysis that could be termed radical in many ways. It put together details which were scattered in different sources earlier. Its precursor in 1962 indicated the trend it took to in 1963. The 1964 and 1965 issues of the *report* were also of the same kind as of the 1963 issue, excepting that the coverage of undertakings and the shades of the cover page were different. The approaches were essentially on traditional lines, namely, the discharge of CAG's responsibility as the guardian of public funds. However, even in these, one gets some intimate details of the functioning of the units examined that are not available elsewhere. Details of cost of production, for example, have been given in respect of some units and also some of the policies of management, which are useful, to say the least.

The *report*, since 1966, has been much larger not only because of the focus put on a larger number of public undertakings but also because of exploration in greater depths of the units examined. Between 1966 and 1969, the *report* indicates the second phase of its evolution. It contained during these years the observations and analysis made by the Directorate of Commercial Audit under the CAG.

Current Phase

The constitution of the Audit Board as a result of the recommendations of the Administrative Reforms Commission and the *report* issued for 1970 have marked its third and currrent phase. The current phase of evolution of the *report* has shown some approaches, that are noted at proper places below, which seem to have made a major departure. The present phase strongly indicates the desire of the CAG to make the *report* a true exercise in performance audit. This is indeed a healthy trend. There are certain requirements in this respect that need be fulfilled.

The undertakings covered in detail by the *report* between 1966 to 1969 are:

1966—Hindustan Steel; Hindustan Shipyard; Hindustan Photo Films Manufacturing Company.

1967 — Indian Oil Corporation; National Coal Development Corporation; Rehabilitation Industries Corporation; Hindustan Antibioitics; Hindustan Machine Tools; Garden Reach Workshops; Mazagon Dock Limited; Fertilizers and Chemicals Travancore; Nahan Foundry.

1968—Fertilizer Corporation of India (Trombay and Sindri units), Hindustan Cables; Praga Tools; National Industrial Development Corporation.

1969—Mining and Allied Machinery Corporation; Hindustan Steelworks Construction; State Trading Corporation of India; Bharat Earth Movers; General Road Transport Corporation; Minerals and Metals Trading Corporation of India; Hindustan Aeronautics (Bangalore Division); Bharat Electronics; Handicrafts and Handloom Corporation of India.

Subjects Probed

The details looked into relate to the history of development of each undertaking, the projects of the undertakings, project estimates *vis-a-vis* actuals in relation to construction work, cost and operational details, production performance with respect to targets and achievements, order position, operating efficiency, manpower analysis, labour efficiency, financial results, costing system, pricing of individual items produced, the internal control measures, individual items of assets and their utilisation, investment and administration with respect to townships, etc.

The coverage given to individual undertakings taken up for detailed scrutiny has varied from undertaking to undertaking, depending on the nature of products dealt with, the market and size as also the complexities involved in individual cases.

In the case of multi-plant undertakings, the *report* gives comparative details with respect to the operations of each individual plant. In cases of inquiry into single plant of multi-plant undertakings, such comparative details however, are not available. Usually, three years' details are given, though in some rare cases, figures for more years are also available. The cases of Hindustan Steel and Fertilizer Corporation would corrobarate this.

After having been laid down on the table of Parliament, the *report* has been taken up by the Committee on Public Undertakings for pursuance with the government. One illustration of the nature of such pursuance is available

in the context of the remarks and observations of the CAG on the National Coal Development Corporation in the 1967 *report*. The tenth report of the Committee on Public Undertakings, fourth Lok Sabha, has dealt with these observations. In 1970, the actions taken by the government and the said undertakings on the recommendations of the committee on public undertakings made earlier has been available. A perusal of the CPU report and the actions taken thereon suggests that the figures dealt with relate precisely to those years which were included in the *report* of the CAG. This has different implications. One of them is that the information gap starts developing afterwards. The other is that the changes that take place are not reflected unless the details are updated.

In the present context, it can be opined that this exercise of the CAG does not go in vain as far as it goes and with reference to its rather limited purpose. It is also true that each of the observations is taken into serious view. A number of improvements in the method and procedure of working in the undertakings have been initiated by the CAG. This is no mean achievement. However, because of the short period for which each undertaking examined comes under focus, the public interest in the *report* has not been as strongly built as desirable. The CAG and the CPU can easily do something in this regard.

Comprehensive Report

The 1970 *report* is in ten parts. The first part introduces the undertakings and gives the summary information on financial performance, including the marginal comments on characteristic practices noticed in individual undertakings. The summary information given relates to capital invested and return on capital employed without and with the interest charged to profit and loss account. This information is an extension of similar information given in the *report* in the earlier years. Parts 2 to 9 relate to the examination of the National Buildings Construction Corporation, the Shipping Corporation of India, the National Mineral Development Corporation, Heavy Electricals (India), the Indian Telephone Industries; the Heavy Engineering Corporation, the Oil and Natural Gas Commission and Bharat Heavy Electricals, respectively. Thus, one public corporation and seven government companies have been covered. Part 10 records the individual irregularities and a summary of the company auditors' report. The comprehensive appraisal of individual undertakings, each of which is dealt with in a separate volume, covers about similar ground depending on the nature of the undertakings.

The details given relate to capital structure and capital expenditure decision, performance analysis, utilisation of individual factors of production, costing systems, pricing policy and cost analysis, materials management and inventory control, internal audit, etc. In regard to some of these undertakings, cost composition, customer composition, order position, etc., have also been given in addition to other details. In some other cases, even break-even analysis has been included though the chart has not been given. Thus, while the coverage of topics included in the cases of individual undertakings has been somewhat different, it falls in a common pattern so that the undertakings can be assessed comparatively, after making due allowance for the individual characteristics of each undertaking; the areas of its functioning and the complications in production and distribution involved in each case.

Distinctive Feature

One distinctive feature of the *Audit Report Commercial*, 1970, is that in the case of certain undertakings, the customer composition has been given to stress the fact that some of these undertakings sell in conditions of monopsony. For example, the Indian Telephone Industries sells almost 80 per cent of its total production to the Posts & Telegraphs department of the Government of India. Sales to other customers also relate mostly to the departments of the central government and various state governments. In such conditions, profitability analysis should be based essentially on the fact that the higher the profit of the undertakings, the greater the loss of the concerned government department. The logic of the formation of limited companies in such situations is doubtful, to say the least. As a matter of fact, the Indian Telephone Industries is only one among many such undertakings in the public sector where there is no market for the undertaking as such and the government, in its different departments, poses as almost the hundred per cent customer. To appraise these undertakings on the basis of commercial considerations and pronouncing judgements on the commercial performance of these undertakings would appear to be grossly uncalled for.

The Comptroller and Auditor-General should be congratulated for bringing out this extremely useful publication. As noticed earlier, the *report* for 1970 is the first since the establishment of the Audit Board. It is hoped that it will be widely publicised. On the other hand, it is also expected that similar details of all undertakings should be made available with the same time dimension in view by the office of the Comptroller and Auditor-General. In this context, it is also to be stressed that some details on the line of the review of of performance by the Directorate of Commercial Audit should be continued. Instead of appending to annual reports only, these should be put together in one paper or volume. Apart from other benefits arising from such continuation, these details seem to be the only comprehensive and authentic measures of appraisal not available anywhere else. The discontinuation of these reviews would mean a break in a useful service that the CAG has been rendering to the students of public undertakings.

Inadequacies Underlined

The *report* from 1963 to 1969, and also in 1970 in a limited way, has underlined certain inadequacies which require to be noted. These inadequacies are not of the CAG as such. They arise out of the procedures adopted for the purpose of inquiring into the affairs of these undertakings. The following are pointed out for due consideration of the concerned authorities:

(1) Out of a large number of undertakings under the control of the central government and under the audit jurisdiction of the CAG, only a few are taken for detailed scrutiny. In terms of percentage they may not exceed 10 per cent of such undertakings under the central government.

(2) There seems to be some duplication of effort arising out of the inquiries initiated by the Committee on Public Undertakings, the audit conducted by the Comptroller and Auditor General and professional audit conducted by the chartered accountants.

(3) The time horizon of examination of individual undertakings as available from the *report* does not extend beyond three or four years. After an inquiry, all seem to forget about what is happening in these undertakings. The data thrown up by these inquiries are not extended. Though not entirely uncommon, very few of these undertakings have gone in for repeat examination. This partly avoids the duplication mentioned earlier, at least it minimises. However, since the report of the professional auditors comes in a rather straitjacket manner, it does not help assessment of operations.

(4) The information given in part one serves little purpose.

(5) Many of the modern management techniques for assessing and reporting performance such as break-even analy-

sis, indices of cost and productivity and other measures of performance, PERT and CPM, etc., do not seem to be applied in the cases of most of these inquiries. The result is that some of the observations ultimately come down to the level of routine. The effects on performance of the observations arising out of these inquiries are not watched over time.

It has been mentioned earlier that the review by the erstwhile Directorate of Commercial Audit appended to the annual reports of different undertakings on a continuous basis would appear to be the only available, albeit scattered, source of certain types of information relating to the performance of individual undertakings. In fact, these reviews would be a better substitute for the information in part one. The annual reports of Hindustan Steel, Fertilizer Corporation of India and FACT, for instance, have given such reviews every year for the last few years. These analytical reviews have generally been noted widely. It is submitted here that the CAG should not discontinue these reviews. These are pointed out here mainly because they can be rather easily sorted out.

Welcome "Emperor Ashoka"

R. V. MURTHY

"If EVER proof were needed that big things can be built from the smallest beginnings, with little more to sustain them at first than the love, the sweat and the sacrifices of a few, I would say, look at Air-India", declared Mr J.R.D. Tata, Chairman, Air-India, whilst welcoming the guests that had gathered on the grounds of the Santa Cruz aerodrome, in Bombay, on Sunday April 18. It was truly a great day in the life of Mr Tata, even as it marked an epochal event in the annals of India's commercial aviation. The evidence was the large crowds that had started collecting even from the early hours that day to welcome "Emperor Ashoka", Air-India's first Boeing 747. The crowds and the traffic jam that were witnessed on the occasion reminded one of the days when, in the early years of our independence, distinguished guests like Her Majerty the Queen of England or the President of the United States of America arrived in India. Evidently, the people of India have no qualms to spread the red carpet to these "emperors" even when the princes are totally taboo!

It is from small beginnings indeed that Air-India has grown, to judge from the various stages of its growth which Mr Tata delineated on the occasion. Surely we have wended a long way from the mud hut aerodromes, the corrugated iron shed aircraft hangars and the fragile aircraft of four decades ago to the international size airports, the huge hangars and the giant aircraft of today. But the road that had to be traversed to make the journey has been a rocky one involving many frustrations and headaches and not a few drops of tears as well for those that give their lives in the service of the airline. However, the joys of achievement "of doing the best job we could in the most exciting business in the world" have sustained these stalwart pioneers.

Here are some interesting details from the Puss Moth days of 1932 to those of "Emperor Ashoka" of 1971. The Puss Moth (second-hand) cost Rs 20,000 each, whereas the Boeing 747 costs just about 10,000 times more — a bare Rs 19 crores as Governor Ali Yawar Jung put it! (Rs 19 crores, by the way, would be enough to build a 1200-room luxury hotel or a 20,000 ton ship). The Moth's single engine just "neighed" with the power of 100 horses, whereas the 4-engined Boeing 747 roars cruising at 600 miles an hour on a jet blast of 80,000 HP. There was no radio in the Moth, but "Emperor Ashoka" is a veritable beehive of electronic and automatic equipment, so much so it seems, a pilot is hardly needed; literally, the 747 flies and navigates itself. Some mail bags and one-man crew were all that Puss Moth had to handle, but the 747 can accommodate 346 passengers in luxurious comfort. In between the Moth and the 747 were, of course, that "giant airliners" or "flying hotels" (as they were then described — the DC 25 and DC 35—that came in the wake of World War II, the 44-seater Lockheed Constellations and the bigger 70-seater Super-Constellations. The Boeings came only in the sixties, ushering the jet age with them. But even as between Boeing 707 and 747, let us not forget, we have added a decade's sophistication. The Boeing 747 is the world's largest commercial jet airliner ever to land in this country. It is three times the size of Boeing 707, being 231'4" long with a 63'5" high tail — taller than an average six-storey building!

The cargo capacity of Boeing 747 is 20 tonnes and the thrust of each of its four Pratt and Whitney T9D-3AW engines is 45,000 lbs. Each of these engines weighs 8,500 lbs. and the bare engine alone costs $795,000; with the cost of all components fitted (which is another $400,000), the total cost of just one engine comes to more than a million dollars. Despite the considerable size of these engines, it is noteworthy, Boeing 747 is "a quiet giant" and "virtually smoke-free".

Air-India is to have four of these Boeing 747s. Two of these that will form the later batch will have even more powerful engines — 47,000 lbs thrust, —but the engines of the other two, including the one that has arrived, will also be stepped up from 45,000 lbs. to 47,000 lbs by suitable modifications by Air-India's engineers themselves later on. Orders have already been placed for these modification kits, each of which will cost approximately $200,000.

Mass Market Demand

With such expensive aircraft, how will Air-India continue to operate profitably, especially with the recession through which the industry has been passing, particularly in America. Mr Tata's answer to this poser was: "Although Rs 90 crores for four 747 is a lot of money, thanks to the plane's larger capacity and newer and more efficient technology, their operating costs will be lower than those of our present 707s. So, if we can obtain a reasonable load factor, we certainly hope to continue making a profit for the government". He also added: "For the first time in the history of air transport, the industry will have an aircraft capable of meeting a mass market demand. Provided that hotel accommodation and the capacity of Indian Airlines are built up quick enough, our 747s should play an important role in bringing additional tourists and valuable foreign exchange to India". As regards, the recession in air travel in America, he said: "We hope that air travel will soon resume its upward curve. Furthermore, we shall have for some time the built-in advantage of being the only ones to operate these magnificent aircraft on our Blue Ribbon route. As regard the 'P' form, we can only hope that government will find it possible to relax it further, if not abolish it altogether soon".

For its part thus, Air-India has done everything it can possibly do—from exterior finish to interior decor to its planes — to give a fillip to air travel and tourist traffic. If the way so well paved by Air-India is to yield the maximum results, it behoves the authorities to match the imagination and enterprise of this proud undertaking. They must

also act expeditiously to enable Air-India both to meet the extremely keen competition that obtains in this field and to repay the loans taken from the Export-Import Bank from Air-India's own earnings, as Mr Tata hopes to do. Let them also underline and keep before their eyes these words of Air-India's chairman: "With a recession still stalking the US, the present is a hard time for the world airline industry when the giants have been making astronomical losses."

It may not be out of place here to refer to what BOAC wants to do since putting its jumbo 747s into service recently. Unless BOAC halves the fares to fill the seats, we are told," the Corporation will inevitably go into the red along with all the other big airlines". Accordingly, a proposal is being seriously considered to have a holiday-makers' return fare (from the UK to the USA) of £75, which compares with the cheapest off-peak ordinary fare of $208! Along with this proposal, BOAC is also contemplating to enter the charter market. Charter airlines, it is estimated, account for one out of every five passengers that now cross the Atlantic. But the latter proposal is not regarded as being half so effective as the former. If and when the £75 return fare becomes a *fait accompli*, where will Air-India stand?

Ancillary Industries in Maharashtra

M. R. MEHER

THE CONFERENCE held recently in Bombay by the Maharashtra Economic Development Council on ancillary industries highlighted the problems and potential of these industries. The role of ancillary industries in widening the industrial base, in discovering new entrepreneurial talent and in promoting employment is generally acknowledged.

The Chief Minister, Mr V.P. Naik, referring to the fact that Maharashtra has over a thousand large units in the private sector, observed that if a sound policy in respect of ancillary units was evolved, there would be a bright future for the ancillary units in the state. He urged the conference to indicate suitable guidelines. The government, he said, was willing to give all the necessary help. The state Ancillary Industries Committee had been constituted last year bringing about healthier relationship between parent and ancillary industries

Dr Pranlal Patel, a representative of the automotive ancillary sector, observed that the automotive industry came next to the textile industry in contributing to the GNP of the country. Underscoring the role of research and development of invention in ancillary industries in this sector, he said that the technological content in automotive manufacture in the ancillary sector should go up. He referred to the great leap in Japan in the application of SQC (statistical quality control) techniques at every stage of manufacture. Also keen attention, he pointed out, was paid there to market research and redesigning of a product." Dr Patel stressed the need in India for the application of SQC techniques as in Japan. Our main drawback in this direction, he said, was the lack of adequate teaching facilities.

Mr B.R. Sule, Managing Director of Mahindra and Mahindra, referred to the development of the automobile industry in the country. Already vehicles and spare parts, he pointed out, were being exported in significant quantities. There was a demand for various automobile components produced by the ancillary units. The ancillary industry, therefore, he felt, had a bright future. In order that these bright prospects should be converted into reality, Mr Sule emphasised, it was necessary to keep in mind the problems arising from the design of automobile components and the overriding need for consistent quality of these components. There was also the necessity for the closest co-operation between the main manufacturers and ancillary producers to ensure maintenance of quality standards. Since 45 to 50 per cent of a vehicle consisted of bought-out components, in many cases the quality of a complex vehicle would be according to the quality of the components. Another factor was that in an assembly line such as a car or scooter plant the cost of stoppage for a day was extremely high. Therefore any uncertainty of supply in terms of quantity or quality results in high inventories having to be carried to overcome this hurdle. This, in turn, added considerably to the cost of production of a vehicle.

Referring to the spiralling wages in the ancillary industries, Mr Sule said that there was a limit to the cost increases on this account which they could expect the automobile manufacturers to absorb, in view of the direct and indirect controls under which the latter operated. Increased productivity and closer control of production costs, he stressed, were the two weapons that the ancillaries could effectively use to tackle this problem; they could rely on automobile manufacturers for providing technical know-how. In the development of new ancillaries, the automobile manufacturers, Mr Sule said, could be approached for help in selecting processes, designing of tools and in arranging for the testing of finished components. Mr Sule expressed satisfaction over the fact that imported components in most vehicles manufactured in India hardly represented a fraction of one per cent of the value of vehicles. He stressed that, although the industry had a country-wide network, there should be no let-up in our efforts to catch up with the technological advances made in the west. Foreign technology he thought, would help us in "buying tomorrow's technology today."

A number of participants in the seminar spoke on the potentials of ancillary units in the electronics industry. Mr P.A. Bhat, Managing Director of Asian Electronics, suggested that Maharashtra should establish an integrated industrial estate exclusively for the production of electronics items, both for the domestic and export markets. This estate should encourage capital-intensive, medium-scale ancillaries and service oriented projects. Entrepreneurs should not be made to wait long for licences, clearances, permits, etc. The Electronics Committee appointed by the Government of Maharashtra should examine the proposed projects from the broad principles of national policy and give permission without loss of time.

Processing Raw Materials

Dr B.M. Wadia, of Semi-Conductors Private Limited, also gave a brief exposition of the role of ancillaries in the electronics industry. This industry, he said, consisted of six layers of technologies which made it difficult to put forth a quality product. It began with the processing of primary raw materials to a high level of purity. Next came the processes of conversion of the high purity raw materials into components. This was an area which was heavily standardised. Circuit sub-assembly, Dr Wadia thought, held out great scope for ancillaries. He asserted that no rules could help the development of ancillaries unless the principal and the ancillary units concerned were prepared to collaborate.

Mr Venkatraman, of Philips India, who also spoke on the electronics industry, said that it was a very difficult task to locate good parties in the ancillary field. Small parties who under-

took the supply of small quantities of componets gave the required quality but as the quantities of supply increased, quality was not kept up to the mark. The remedy, according to him, was the inevitable tightening of tolerance in higher levels of production. It was Mr Venkatraman's view that ancillaries should confine themselves to only a few processes and small-scale production. Otherwise, they would lose the economies of scale. Underscoring the importance of documentation, he suggested that due steps should be taken to encourage engineering practices like preparation of drawings in the ancillary sector.

Lack of Quality Raw Materials

Mrs Sharayu Daftary, Managing Director of Bharat Radiators, said that the rejection rate of products of ancillaries in this industry was high due to lack of quality raw materials. Since the industry could not get all the raw materials needed, it would be desirable to create cells for assisting allocation of raw materials to the needy units. Regarding the maintenance of quality, she pointed out that it was beyond the reach of small ancillaries to have their own testing equipment. There should be, therefore, suitable arrangements to set up facilities and make them available to small ancillary units.

Mr H.S. Bhatty, of the Federation of Associations of Small Scale Industries of India, made out a strong case for earmarking certain areas of manufacture in electronics to the small man. He regretted that the big units were reluctant to relegate production of even the one-band transistor radios to the small units. Taking the case of radio assembly which had been in existence in the country for the last 22 years, he pointed out that the big units continued with this function instead of taking up advanced fields. He wished that the ancillary farm-out in this sector had been effected long back. Mr Bhatty further submitted that electronics as a field involved technologists and they should be encouraged to enter this industry. If ancillaries were to make any headway in this field, the captive component market should go and small units should be allowed to take up simpler technologies.

Another anomaly in this industry, Mr Bhatty thought, was that what was good for the international market was not necessarily good for the internal market. In this connection, he drew attention to the existence of component jobs in Japan. In India, he said, they were hard to get. Regarding exports, the small units, Mr Bhatt said, should be given the same benefits which were made available to exporters in general. He suggested that in electronics, circuit assembly should be the rule and not the exception. He also expressed the desirability of reviving the idea of putting up an electronics laboratory at Borivli with the aid of the CSIR.

Mr N.M. Desai, Managing Director of Larsen and Toubro, dwelt upon the development prospects of general engineering ancillary industries in Maharashtra. Although he was convinced that they had a bright future, he called upon the manufacturers to demonstrate their ability to produce superior quality goods. The general engineering ancillary industries, he said, were passing through a technological transition in that their structure was changing from 'facility maintenance industries' to 'facility creating industries'. This transition called for great skill in processes as also in the management.

Dr C.J. Dadachanji, Managing Director of NOCIL, referred to the astounding progress made in the west in petrochemicals and said that we in India could do likewise provided the economic climate was improved and the manufacturers of petrochemicals took upon themselves to make a direct contribution to the growth of consuming industries and ancillaries. He gave particulars of the large scope which the field of plastics offered for the development of ancillary units in the small sector. He went on to say that a petrochemicals complex had recurrently required chemicals, catalysts and spare parts. If these imported items were manufactured indigenously, there would be savings in foreign exchange, apart from the employment they offered in the medium and small-scale sectors. Small and medium-scale units Dr Dadachanji stressed, could flourish in the packing and container industries. The requirements of NOCIL alone, he pointed out, would come to merely Rs 75 lakhs a year and each of the downstream chemicals and plastics plants dependent on NOCIL for feedstock would have substantial requirements of these items

No Time to Relax

NORMAN E. BORLAUG

This is the text of the second Coromandel Lecture delivered recently in Delhi by Dr Norman Borlaug who, for his researches in agriculture, which have led to a revolution in wheat production, was awarded the Nobel Peace Prize last year. While highlighting the spectacular results achieved by the application of new technology and the inter-disciplinary efforts in laboratory and farm, Dr Borlaug cautioned in this lecture that there in no time to relax. New species of grains have to be expeditiously developed. In this connection he made a reference to "Triticale" on which work is currently going on. Despite all the advances made by science and technology, Dr Borlaug stressed, however, the urgent need to control population growth.

The first Coromandel Lecture was delivered last year by the distinguished British scientist Sir Joseph Hutchinson, F.R.S. and Professor Emeritus at the University of Cambridge. He emphasised the importance of soils. "Soil was a living thing", he said, which needed to be domesticated and improved.

This lecture series was instituted last year by Coromandel Fertilisers.

It is a real honour for me to have this opportunity to dwell upon some of the recent developments in agricultural food production, namely the "green revolution." I would like, at the outset, to say that in accepting the Nobel Peace Prize, I did so in the name of agriculture, in its broader sense, for I well know that 10 fingers and one very mediocre brain cannot accomplish what has been achieved in increasing the world food production, especially that of wheat, in the last few years. It is the result of the collective inter-disciplinary efforts of hundreds of scientists in many parts of the world. Indian scientists have played a major role in launching the green revolution.

In addition to the contributions of scientists, extension workers and officials, we must recognize that food is produced on the land by the farmers themselves. My heart goes out to the millions of small farmers in many parts of the world who in recent years have had the courage to accept the new discoveries of science, to apply them on their small pieces of land and thereby struggle onward to increase their standard of living. These people are the real heroes of the green revolution.

I would like to say something about where and how the research that produced the seed and technology upon which the green revolution was based began and how it came to produce fruitful results in what seemed to be a very short period of time. Some of the discoveries that have been applied here in India with great success go back to the "quiet revolution" that began in Mexico more than 27 years ago. At that time, back in 1943, at the invitation of the Government of Mexico and with the financial assistance of the Rockefeller Foundation, a very modest programme was begun to try to bring science and technology to bear on the food production problems of Mexico. The crops chosen in the beginning were

maize, wheat and beans. Subsequently, other crops were added. The programme had a twofold function — firstly, to find out what could be done as soon as possible to increase food production, and secondly, to train a whole corps of new scientists. It was a long, slow process and it took 12 years to produce enough wheat to meet Mexico's needs. From that day, in 1956, to this, Mexico has been self-sufficient in this crop. The same has come to be true in the other basic food crops of the Republic of Mexico.

Now in looking back to 1960, you see, when I was invited by the Food and Agriculture Organisation of the UN to make a survey of the wheat production needs from Morocco as far as India, I did so with great concern. We had come to believe that it would take 18 to 20 years, based on the Mexican experience, to develop the varieties and technology, and train a whole corps of new scientists to assume the responsibilities of carrying these results to the farm to solve the food problems. In many countries we visited, it became obvious that there were veryfew trained scientists and shortcuts had to be found to overcome the food deficits. India, unlike others, was very fortunate in this respect, in that it had a large corps of well-trained scientists. Thus in 1963, when I had the good fortune and privilege of coming to India a second time, at the invitation of the government, we looked at the production problems in many parts of the country.

Similarity of Conditions

It became apparent that there were similarities of conditions here and in Mexico and I felt it might be possible to increase wheat production more rapidly and dramatically than was possible in Mexico. I won't go into details; simply I will say this, that a big effort was made to bring in relatively small quantities of seed to test on research stations here in India in 1963, followed by larger quantities in 1964. Based on very promising results, the Government of India moved to import 250 tons of seed in 1965 after two years of testing. This laid the base for the breakthrough that followed. After a further year of widespread testing, it seemed advisable in 1966 to bring in even larger quantities of seed. This was done when the then Food Minister, Mr C. Subramaniam, imported 18,000 tons, with the spectacular results that are now history.

Never before in the history of world agriculture had such large quantities of seeds of varieties developed in an entirely different part of the world, been introduced into a new country halfway around the world. The reason for this success was the outstanding research that had been done here by the Indian scientists and extension workers and its transplant to the farms. The value of the varieties has been firmly established. There were many people in the world who thought that great risks were involved. There are always risks involved when you are dealing with biological entities and biological systems. This is inherent with change, but change we must or perish.

Many Lessons

There are many lessons that we should learn from the transplant of new technology from one part of the world to another. If we look back and survey what has happened, we will find that first of all the scientific and technological information that the new changes depend on, must be thoroughly reliable. This can be done only through experimentation where the varieties have been tested under different soil, ecological and climatic conditions. But you can have the best science and technology in the world, and it won't produce food. There must be sound economic policy established by the government which will stimulate the production of the crop and which will permit the application of the new science and technology, so that both small and large farmers can be encouraged to participate. This, of course, implies a reasonable and stable price for the grain that the farmer will sell.

The inputs must be available, especially fertilizer. Credit must also be provided for the purchase of these inputs. Demonstrations are very important and they must show spectacular differences in yield as compared with the results that have been obtained before with the old technology and the old systems of growing the crop. If this is shown, there is little doubt in the mind of the farmer as to its worth. The farmer, who has lived close to starvation, will not risk the change for an increase in production of five per cent or 10 per cent. If one can demonstrate that on the farmer's own land,it is possible to double, triple or quadruple the productivity, and if government policy is such that it will make it economically feasible for him to apply the new technology, he will move. This has been vividly demonstrated by Indian farmers. The pre-green revolution record harvest of 1965 achieved in an ecologically favourable year was 12.3 million metric tons. The 1968, 1969 and 1970 crops have been record-breaking in turn, culminating in a harvest of more than 20 million metric tons. This is a tremendous increase.

The increased production has done many things to change the total economy of the country. It has not simply produced more food, more bread, and more chapatis, but it has opened new vistas in overall economic development. It has had indirect effects on other crops. Speaking of wheat itself, you see, it was not that this great increase in production came from increased acreage, put was for the most part the result of increasing the yield per acre. This fact becomes of particular significance as the world population increases. It is already impossible in many countries to put more land under the plough. There is a growing and ever-increasing shortage of land suitable for agricultural production. Thus, for the foreseeable future, in most of the densely populated areas of the world, the increase in food production must come from increasing yields per unit of cultivated area. It is, therefore, very gratifying to see that from the all time previous high of 1965, when the average yield per hectare was of the order of 900 kilos, it has increased to approximately 1,400 kilos at present—a very significant increase indeed. It also indicates that there is still a great possibility for increasing yields even further if science, technology and research is carried forward and if demonstrations are extended to other areas with vigour.

Indirect Effects

Now what has happened in other crops? What are the indirect effects? First of all, before there can be much effect on other crops, additional new technology must be developed. But there is a certain carryover, as for example in the use of fertilizer. If a small farmer sees that he has doubled or tripled his yield of wheat by applying the recommended technology, it takes little imagination on his part—and they are all very smart indeed — to give similar treatment to his other crops. I have great respect for the traditional farmers all over the world. They must never be underestimated. They are very intelligent .Many may be illiterate, but to have survived, as they have, they must have imagination, versatility, and an ability to adapt to new situations when it is worthwhile to do so. When the small farmer has seen the value of the fertilizer on his wheat crop, he immediately begins to explore the possibility of what it will do on the other crops that he cultivates. He will do this much faster and more efficiently, if the extension service is prepared to tell him how it is to be done. But even if this assistance is not forthcoming, he will make many adjustments, and so you see, the indirect effects are felt in their impact on other crops. Of course, if the new seeds are also available in these crops, it immediately permits greater efficiency in the use of fertilizer.

Now it so happens that some people

think that the green revolution is due to magic seed. Let me say this, that *there is no magic seed.* In order to change the production of any crop, seed is but the catalyst. These very short-strawed varieties do have a built-in capacity for high grain yields when they are properly grown, when they are properly fertilized, sown at the right time and in the right density. They can respond to this new technology and, therefore, produce much more grain per kilo of plant nutrient applied. So they are efficient, they are a catalyst for change, but there is no magic seed. In producing the background information, which has been applied with such wonderful success here in India, it is the composite effect of the experimental work that has been done in all of the disciplines that bear on this production problem. Genetics and plant breeding have produced the new model of plants. The agronomists and soil scientists have found what fertilizer and in what quantity it should be applied for different soil types and how to manipulate and handle the moisture most efficiently. The plant pathologists have contributed to the understanding of the resistance to disease. The same goes for the entomologists. Both have assisted in the formation of these varieties or in protecting them against epidemic infestation. All these disciplines contribute to the development of a new variety. Of course, the cereal chemists have contributed also from the standpoint of how best to utilize these new grains.

Economic Development

What has this meant to other aspects of economic development? Until the last five or six years I worked in trying to improve agriculture in many different countries without fully comprehending what a valuable and important tool crop production can be for overall economic development. This is particularly true in those countries of the world, where you have very large proportions of the total population engaged in agriculture — in some cases 60 to 80 per cent. Now, where one has this vast sector engaged in agriculture, where many are living outside the economy, subsisting on a small plot of land with very little to sell and having no purchasing power, the whole economy lags. In the last three years, however, if one considers the wheat crop alone, approximately $1.8 billion was added to the gross national product, above that of the all-time high level of 1965. This has gone directly into the pockets of the farmers. They have money for the first time; they begin to buy things that they never purchased before. They begin to demand and get small machines that are not necessarily labour-displacing, in order to better handle their crops, thresh it more rapidly, get it under cover, and prepare the land for their next crop. Many goods that, I am sure, they felt they could never have in their lifetime, suddenly are found in their own homes, a transistor radio, a sewing machine and many other things that many of us privileged people take for granted. This has a way of affecting the whole economy. I can sense it, I have seen it here in the villages in the last two years. It brings a different rhythm to the whole economic life of the community. This is something that we must strive to spread to a larger segment of the population and increase in rhythm. If we do so, I have great faith that we will see within the next two decades a change which hardly seemed possible only a short time ago.

Indirect Effect

One of the other very interesting, and I think significant, changes that has been brought about by this rapid change in crop production, is its indirect effect on the scientist and the farmer and how they work together. It has been my experience in many countries that before science proves its worth in helping to solve his problems, it is not accepted by the farmer. This is understandable. Science must serve human needs, if it is to be respected and if it is, in turn, to obtain proper support from government. Here I have seen Indian scientists in the national demonstration programmes carrying these new results to the farms. I have seen a whole change in the relationship between the farmer and the scientist and vice versa. To win the respect of the farmer is difficult, to maintain this respect is equally difficult. There is no way of putting a value on this, but I am sure that if these contacts are maintained and strengthened, it will lead to further development.

Now despite these achievements in the past, *there is no time to relax.* The future has many many problems. We must extend the so-called green revolution to other crops. Wheat must not continue to carry the load. It is my understanding that progress is now being made and the rapidity of change will surely be increased in the next two years in rice and sorghum; maize is already moving. Unfortunately, there are certain adverse effects, you see, when one crop moves faster than others. It tends to displace some of the other crops. This has actually been happening in the case of wheat with relation to pulse crops. Pulses are very important in nutrition in India. They supply much of the protein and help to balance the cereal diets which are deficient in lysine, tryptophane and certain of the other amino acids. Together, they complement each other very well, but if yields of one crop, in this case pulses, are stagnant and not increasing and the yield of wheat that is competitive with it (yields of pulses) in the winter season moves forward, you get displacement. The only way to correct this is by aggressive research in the development of higher yielding varieties of pulses. Some progress has been made in this in recent years, especially in the pigeon-pea. I hope that it will be forthcoming in other pulses, so that the balance between pulses and wheat will return to the required equilibrium. I am sure that there are certain places also where there has been displacement and replacement of other crops such as cotton. If cotton yields are stagnant, and if rice becomes high yielding, one will have a similar situation in these two crops where water is not a limiting factor. So, in order to have continued progress, we must have balanced programmes in research, education and extension in all the crops that are important to the economy of the nation. It is not good enough to make a breakthrough on one crop. It can pave the way to progress in others but there will be increased need for more productive scientists and better budgetting to support research and extension, if we are to keep pace with the growing needs.

Resistance to Disease

What are the possibilities of increasing production? What are the needs? First of all, we cannot be complacent with the progress that has been made even in wheat. There is always the danger of loss from diseases. The breadth of disease resistance must be broadened and increased in depth if we are to avoid disastrous epidemics. There are many who think that the wheat breeding programme here in India has a narrow genetic base. This is not true. I would like to say that the current research programme on wheat in India is the broadest in the world, both in genetics and in breadth and scope of agronomic research; it now has very good balance in plant pathology research, it is broadening out in cereal chemistry and the same goes for entomological research.

Nevertheless, even where there has been a long research heritage, where vast quantities of money have been poured into research, you can have accidents, if not disasters. During the past year, in the USA there was a tremendous epidemic of southern leaf blight of maize. Various estimates put the reduction of the crop at from 400 million to 700 million bushels over what was anticipated when the crop was flowering. The United States was very fortunate indeed in having very large warehouse stocks to bridge the gap. Maize is used there mainly as a feed

grain for producing livestock products. It was not a complete disaster, but even now the seeds with built-in resistance are not available in adequate quantities to convert more than 20 per cent of the total area to be planted in the coming year. If the environmental conditions are right, the country will be vulnerable for the second straight year and there could be a "magnificent" disaster. What I am trying to say is that there is a continuous struggle when trying to produce more food and at the same time safeguard production. We cannot rest on the accomplishments that have been achieved. We must look forward and build greater safety into our programmes. The only way to do this is to continue research in plant breeding and through the development of chemicals that can be used, in certain cases, to protect the crops.

Research must also be broadened to reduce losses from insects. This is more true of other countries, since India is fortunate in not having some of the more harmful insects. Insect resistance can be built in, but it is time-consuming.

We do not know what the yield potentials are for the main crop plants we grow. We must struggle to increase these but must also explore the possibilities of forming new plant species.

World Production

Let us take a look at what has happened in food production in the world. Agriculture is new in a relative sense. It is only nine to ten thousand years old. Before that time, man lived as a member of a wandering small tribe or family of people, living from hunting or fishing and fruit gathering. It was not until nine to ten thousand years ago — and curiously enough, this change took place very rapidly — that man, I should rather say woman, almost certainly, became farmer and animal husbandryman. It was almost certainly woman, since she was largely the food-gatherer who found that by planting seeds she had collected for food, at the right time of the year, she could insure the food supplies for the family. Before that time it was not possible to develop villages or cities and so all of the things that we take for granted, the large cities and our very civilization, and all the complexities of life, have taken place to a large extent in these ten thouand years.

I have been speaking now about our food supplies of today, but stop to think of the implications of those nine to ten thousand years. We have not added one single crop species of any significance to those plants that our unnamed benefactors brought into cultivation. The same is true for animals. All of the major animal species that serve as food were domesticated at about the same time. What we have done in the last few hundred years and especially in the last hundred years is to improve the efficiency of some of these plants and animals — the important ones — but we have not created any new ones of substance.

The Main Question

The question now is how much more can we increase the total capacity of production of wheat, rice, maize, sorghum and millets which are the main food crop cereals? How much more can we increase the milk production of our dairy cattle? How much can we increase the efficiency of our poultry production? We don't know how close we are to the maximum amount that scientists can squeeze out of these species of today, not only genetically but also by manipulating soils, fertilizers and feeds. We have seen within the last 10 to 15 years that wheat yields under controlled conditions have been doubled and tripled. Can we do this again? I doubt it. The same is true of rice. In an earlier period, hybrid maize doubled the potential capacity of this crop or increased it to two and half times what was formerly thought to have been the maximum possible. As we approach the higher limit, it is more and more difficult to move the yields higher, but we must continue to struggle on because our life, our very existence is tied to what we are able to achieve in increasing productivity.

We must explore new possibilities. If the present crop plants came into being before scientific man evolved, we should be able with all of our modern techniques to produce entirely new food crops that will outperform those that are grown today.

For the last six years, in the International Maize and Wheat Improvement Centre we have been working cooperatively with the University of Manitoba in Canada on a man-made species called Triticale. To make this species one begins with a cross between rye and wheat. It is then manipulated with a certain alkaloid which doubles its chromosome number enabling it to develop as a partially fertile plant. This is a different kind of plant, a plant which has certain characteristics in common with the two parents, but others which are different. It seems possible that we may be able soon to develop a Triticale which will have certain advantages over its parent species. If this can be done with Triticale, it behoves those of us who are working in this field to attempt to produce many other new combinations.

There are new techniques that have been developed in laboratories which permit the crossing of species that have never been crossed before. There are techniques now available where it may be possible to cross species by somatic cell hybridisation. We must explore all of these as we are faced by ever-increasing problems in our efforts to solve food production needs.

One of the most interesting and fascinating aspects of agricultural research in the last four to five years has been the possibility of increasing the nutritive value of cereal grains. You see in affluent countries where animal products are available, and sold at a reasonable price, diets are more or less balanced by using a combination of cereals, fruits, vegetables and such animal products as milk, cheese, eggs or meat. Among high income groups balanced diets are usually automatic; but among the low income groups, especially the small peasant farmer, this is not true since he obtains 70-80 per cent of his calories and 65-75 per cent of his protein from cereal grains. It so happens that all the cereal grains are deficient in some of the essential amino acids, the building blocks from which proteins are made. This means that people, especially children, who do not obtain animal proteins in their diets, are likely to be malnourished.

Startling Discovery

About six years ago, a young graduate, student, Lynn Bates, at Purdue University, was analysing a series of maize samples. He found one, called Opaque-2, which we students 35 years ago had seen in our genetic laboratories. It was considered only a curiosity because it did not transmit light. When Bates analysed this particular sample, he found it has twice the ordinary level of lysine, the most limiting amino acid for animal and human growth. When he took it to his research professor, Dr Mertz said: "You must have made a mistake. You better go back and analyse it over again." He did, but got the same result. Needless to say, many professors have not had their noses out of the test tubes since and have been analysing hundreds and thousands of samples of corn from that day to this. When this particular sample of maize was fed to white rats, with the added necessary minerals and vitamins, they grew at twice the normal rate of those fed on ordinary maize. When it was fed to young piglets, they too grew at twice the normal rate. But the most significant tests of all were those conducted at the Children's Hospital in

Cali, Colombia. Youngsters who were dying from protein starvation were fed with gruels of Opaque-2 maize and within seven to eight weeks, they recovered spectacularly.

There were certain difficulties in producing or incorporating this particular nutritive value into high yielding varieties of maize. All of these have not been surmounted even to this time. Progress is being made. The original varieties that were developed yielded 10-12 per cent less because the kernels were of lower density. Moreover, the kernels were softer in texture and consequently damaged more by insects. They were more vulnerable to rot in the ear before the grain was harvested. Within the last two years, in our research centre in Mexico, we have found modifying genes that can be incorporated to overcome these defects. We hope that within two or three years there will be maize varieties that will be fully equivalent to the best types formerly available — hybrids or open-pollinated synthetics which will have this very great improvement in nutritive value. If this can come about, the small peasant farmer in the hills of Asia, Central America, Peru, Bolivia, or any part of the world can greatly improve the nutritional standard of his family through planting, harvesting and replanting such a variety.

Since everyone now has become conscious of the possibility of improvement in nutrition, it has been found that there is variation in lysine level also in barley. One called Hyproly of Ethiopian origin, has been studied extensively at the University of Lund in Sweden. I think Dr L. Monck, who is conducting this research, is visiting India. Barley, therefore, looks very promising.

Nutritional Value of Triticale

Let us consider the nutritional value of Triticale, the new man-made species about which I spoke earlier. Within the last six months we have, in collaboration with Dr F. Elliot in Michigan State University, been conducting some nutritional tests with this grain. Here again he found 10 or 12 lines that, when fed to rats, appear even more nutritious than Opaque-2 or Hyproly barley. We don't know enough about this, but this has opened a whole new possibility of improving our nutritional standard for the people of the world who live primarily on cereals. This programme must be pushed forward aggressively in the years ahead.

But food is not enough. One can live only approximtely three weeks without food. I am deeply concerned about world population growth. I think we have the posibility now, if we work diligently and aggressively in our agriculture, to buy 20 to 30 years of time. For this period I foresee we can produce the quantities of food that are needed in this world.

There is still the problem of its distribution. I have the feeling that if it were only food it could be as simple as just increasing cereal production by 30 per cent. This is probably all that is needed to supply the food needs of the world's cereal-eating people. But this is not the only problem. We have difficulties in distributing food and, this is why it is so important to increase the production capacity of the small farmer. He must have some purchasing power to start the wheels of development turning. I have the feeling, if we can keep this momentum, he will consume more food and there will be much greater commerce and exchange — first nationally, and then internationally, and all of this will be to the good of the entire world within the next 10 to 20 years.

Inter-Related Problems

Before this can be realised, there are a whole series of inter-related problems that we must confront relating to this whole question of population growth. We will destroy ourselves unless we can keep pace with the growing needs for employment. In many developing countries of the world, it is estimated that 20 per cent of the male labour force is unemployed now and this figure is growing. This is not a nice picture. In addition, there are probably 20 per cent of the people who are illiterate and this is growing. I have seen in some countries, where despite the fact that although illiteracy has been cut in the last 25 years from 50 per cent of the population to 25 per cent today, there are still more illiterates than there were 25 years ago, because of the very rapid increase in total population. In addition to this growing problem of education, what about health and medical care, housing, clothing, transportation? We have seen this vast build-up of cities with all their built-in problems of stress and crowding; we have seen the unrest in many of the cities of the world. This does not refer only to this part of the world, it is an increasing problem for all nations. Vast segments of the people have little or no opportunity of relaxing even for a few hours or a few minutes a day.

Everyone in the western world at least is talking about the degradation of the environment. We have done a miserable job in polluting many of our rivers, streams and lakes. This is true. There is an ever increasing problem with the atmosphere — the smogs from the industrial smoke-stacks and automotive exhausts. I am sure that if we put our minds to it, many of these abuses can be corrected; but there are many that are built-in and will continue to be problems in the future.

There are now, I must be frank with you, certain purists in the world who are saying that we must discontinue the use of chemicals in agriculture. With this I totally disagree. We have had a few accidents in agriculture with pesticides. Very few indeed. The plus side of that ledger is heavily weighted toward the benefits. If one takes a product like DDT, one can see that it has reduced malaria to a manageable level in vast areas of the world. It may have had some adverse effects on certain bird species since it goes into the food chain, but up to now there is no good evidence that it has had any detrimental effect on human beings *per se*. We need to use common-sense when we talk about pesticides. There have been people poisoned with certain kinds of pesticides no doubt, but there are in the USA between fifty and sixty thousand people killed by automobiles each year. This has not caused them to discontinue the use of automobiles. So, what I am saying is that if we cast common-sense to the wind in considering the use of agricultural chemicals, we will starve. It would be to condemn the world to death to say that chemical fertilizers cannot be used. It is ridiculous and yet there are some extremists today advocating such an approach.

Problem of Political Unrest

One other aspect of this growing problem of population is political unrest. I have a feeling that there will be more and more of this in more and more countries of the world, unless we come to grips with the population problem. You see, as the clock ticks each second that goes by, there are 2.2 more people in this world that need food and all of the other amenities for decent life. By 1980, the rhythm will increase to about 2.7. By 1990 to 3.3 and by the year 2000 to four persons more per second with all that this implies; this assumes only a two per cent population growth. Since I have been talking, the population has increased by something of the order of 6000 additional people that need to be provided for. Not a small order. It means that at the present time the world population is growing 70 million per year and this has happened relatively recently.

If we take a look back in the beginning, to the time of Adam and Eve whenever that was — take your choice.

two million years or even farther back—population in the beginning must have grown very slowly because of man's inability to control his environment. First, his food supply was unreliable; he had virtually no control over his shelter; he had no control over diseases; he had a whole host of problems, so population certainly must have grown very slowly. As I mentioned a few minutes ago, it was only about 10,000 years ago that he became a farmer and animal husbandryman. Only then did he gain some control over his environment and his food supply. Then population must have begun to increase rather rapidly. Villages, and subsequently cities, began to be built. However, by the time of Christ, about 2000 years ago, it is estimated by most demographers that the world population was not more than 250 million people. From those 250 million people, the population doubled by the year 1650. The next time we did much better. From 1650 it doubled in about 200 years so that by 1850 there were a billion persons. It was about this time that modern medicine came into the picture and death rates dropped dramatically. This contributed to an even faster increase. Thus population growth is now not so much due to the increase in birth rate as to the reduction in death rate and infant mortality. And so, the way things are going now, we can double our world population every 37 years. This tick, tick, tick of the clock grows louder.

In most animal species, virtually all of them, there are built-in mechanisms which take over when crowding becomes too great. There are many different kinds of mechanisms and they are automatic. But man has one great advantage. He has intelligence; sometimes he does not use it very well. He can think ahead he can project, he can see what is likely, to happen. Although we don't seem to have any built-in mechanisms, in our own species, to take care of our ability to increase in numbers to reasonable levels, we do have this device. This ability to reason, which no other animal has, should enable him to adjust his population growth, to a level which will allow a decent standard of living for all peoples of all nations in the years ahead.

In concluding I would like to use the words of Sir Kenneth Clark which concern problems that we face in the world today.

"I believe that order is better than chaos; creation, better than destruction; I prefer gentleness to violence and forgiveness to vendetta. On the whole, I think that knowledge is preferable to ignorance and I am sure that human sympathy is more valuable than ideology. I believe that in spite of the recent triumphs of science, men have not changed much in the last 2000 years and in consequence we must still try to learn from history—history of ourselves. I believe in courtesy, the ritual by which we avoid hurting other people's feelings by satisfying our own egos and I think, we should remember that we are part of a great whole which for convenience we call nature, all living things are brothers and sisters and above all, I believe in the God-given genius of certain individuals and I value a society that makes their existence possible to help all others."

WINDOW ON THE WORLD

West German Labour Market

JOSSLEYN HENNESSY

LONDON:

I

FOREIGN WORKERS

THE END of the war led to unemployment on a large scale in West Germany — not only were soldiers returning to their destroyed homes but also millions of refugees from the east were forced to start a new life. It was, however, only after the Currency Reform that a start could be made on rebuilding the economy. The work of clearing away the ruins left by the war, and the German people's pent-up demand, led to a steady revival of the economy. From that point on, unemployment declined until, in the summer of 1959, the number of vacancies on the labour exchange records exceeded that of the unemployed for the first time. Today, the economic situation in West Germany is under extreme strain. This applies to production just as much as to the labour market. In July, 1970, the unemployment ratio was only 0.5 per cent. At 872,200 the number of vacancies is currently more than eight times higher than the unemployment figures. The labour supply can practically only be expanded by bringing in foreign workers, who in July rose to over 1.8 million.

Most of these workers come from countries in southern Europe, which are less developed economically and in some areas over-populated. The largest number of foreign workers (351,500) still come from Italy, although it was the Yugoslavian workers who increased most strongly (plus 29,200) in February and March, 1970, making it likely that the number of Yugoslavs in the Federal Republic of Germany (currently 326,200) will soon overtake that of the Italians despite the absence of immigration regulations for the latter. The total number of Turkish workers in West Germany (287,700) is also large. The number of Greeks has increased to 218,600 and that of Spanish workers to 154,300. A breakdown according to the various labour exchange regions shows that the largest number of foreign workers (477,400) is employed in North Rhine Westphalia, closely followed by Baden Wurttemberg, where there were almost 454,200 foreign workers at the end of March. In Berlin, 48,400 workers from abroad are employed. To turn to the individual sectors of industry, 633,000 foreigners work in the iron and steel industry as against 411,500 in the manufacturing industries. At the end of January, 1970, the number of foreigners working in the building trade had for seasonal reasons dropped to 210,800. The distribution of the different nationalities among the various industries is also interesting. For example, the numbers of Italians and Turks in the metal industry are about equal (almost 130,000). On the other hand, considerably more Italians are employed in the building trade than Turks. In this sector, however, first place is claimed by the Yugoslavs, (76,000), but almost 111,000 Yugoslavs also work in the metal industry.

II

JOBS LINKED TO PRODUCTIVITY

The number of workers employed fluctuates, in particular owing to the different rates of growth in production and productivity in the individual industries, which lead to changes in requirements for the various categories of workers and therefore in the structure of employment as well. By way of contrast, the reduction in working hours, which likewise affects the number of people required, scarcely influences the structure of the labour force employed.

Economic progress goes hand in hand with increasing mechanisation. Where possible, rationalisation has been carried out in the form of partial or complete automation. The number of workers thus released is about half a million, particularly from the mining and tobacco-processing industries. However, owing to the economic boom, these fundamental changes were hardly perceptible, as the workers set free by rationalisation could in most cases be employed in another capacity within the same company — sometimes after re-training and fairly long adjustment periods.

Again, industries with declining labour requirements are offset by those with growing requirements. A comparison of the labour situation in industries which reached their peak labour requirements in 1965 or later, with the number of people employed in 1958, shows that about one million new jobs have been created, of which two-thirds are accounted for by electrical engineering, mechanical engineering, vehicle building and the chemical industry. Developments here will continue decisively to influence labour requirements. The proportions of people employed in the individual branches to the employment figure for industry as a whole have thus changed. In 1969, over 13 per cent of the overall number of workers employed by industry worked in mechanical engineering (over 1.1 million), which therefore holds first place, whereas in 1950 the textile industry had a larger labour force (by 1969 it had fallen to fifth place). In 1969, mechanical engineering, the electrical and chemical industries and vehicle building employed almot two-fifths of the total labour force in industry. In line with these developments,

TABLE I

ECONOMIC STRUCTURE OF THE FEDERAL REPUBLIC* IN THE PAST AND IN THE FUTURE

(in %)

Economic factors and sectors	1950	1960	1968	estimated 1980
I. Contribution to gross domestic product (in 1954 prices)				
Primary sector	10.3	6 3	5.5	4.0
Secondry sector	47.3	55.6	57.3	60.0
Tertiary sector	42.4	38.1	37.4	36.0
II. Number of employed				
Primary sector	26.0	13.8	10.4	7.0
Secondary sector	41.7	49.0	48.2	50 0
Tertiary sector	32.3	37.2	41.4	43.0

*From 1960 including Saarland and West Berlin.

Source : Board for Rationalisation of the German Economy.

the capital goods industry increased its share of the total labour force from 30 per cent in 1950 to about 40 per cent in 1969.

III

THE THREE SECTORS

From the macro-economic point of view a distinction is usually made between three sectors: (1) agriculture and forestry (primary sector); (2) power industry and mining, manufacturing industries, building (secondary sector); and (3) service industries (tertiary sector).

Table (1 p.804) shows the contribution made by these three sectors to gross domestic product as well as the labour structure in the individual sectors.

The trend towards a steady increase in the secondary sector's share of real gross domestic product at the expense of the other two sectors will probably continue until 1980; in that year three-fifths of total production will come from the industrial sector. Thus, West Germany will remain an industrial country. However, while the number of people employed in agriculture and forestry, in the power sector and in mining has fallen as compared with 1950, there is a tendency for the number employed in the services sector to increase correspondingly. Although every second gainfully employed person will still work in the secondary sector in 1980, it is probable that there will be a steady increase in the proportion employed in the tertiary sector at the expense of the primary sector during all of the three decades from 1950-1980. In 1980 probably only every fourteenth person will be employed in the primary sector.

Changes in Skills Required

These changes in the structure of the economy both present and future together with the ensuing re-grouping of the employed, are increasingly affecting the individual person's work and way of life. They question inherited ideas about jobs and work and make it necessary to revise old established opinions. Altogether they demand from the employee a higher degree of mobility — mentally, geographically and as regards the work he does. Technological change generally alters the production process in such a way that the nature of the work is also influenced, ranging from small changes to the complete disappearance of a particular job and the creation of new jobs. Although there are no statistics on changes in the nature of the work, the population and occupation census shows shifts in the structure of employment. The statistics on earnings in industry (distribution of persons engaged according to qualification groups) give some indicators of the change in the type of people required. It shows that the proportion of less skilled jobs has sunk over the decade 1958-69.

With the exception of the chemical and plastics industries, in each of the industries examined by the Board for the Rationalisation of West German Industry there has been a decline in the proportion of those manual jobs, which are typical of that particular industry, as these jobs can be taken over by machines with the result that maintenance, planning and organisational work is gaining ground. Operating automatic equipment does not require special training so much as the ability to learn certain things in a short time. In the present situation, it is the younger worker who proves most adaptable, but improvement of the training system would give all workers the necessary flexibility.

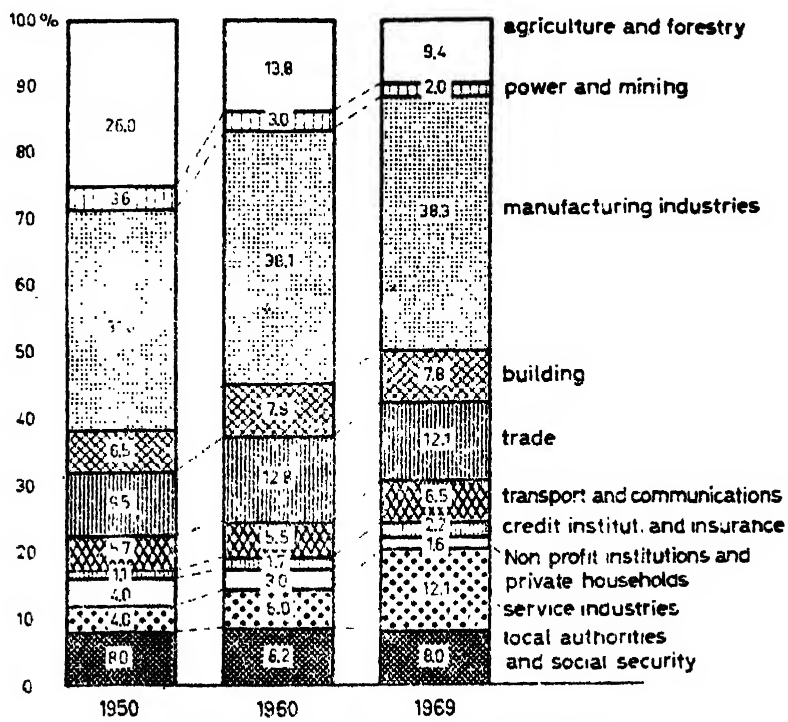
IV

JOB ROTATION

The various sectors of the labour market are linked by the movement of workers from one job to another within the same firm, from one firm to another and from one region to another. Frictional unemployment can arise because of insufficient flexibility between the three sectors in the economy, between the various industries, regions and types of work. This is accompanied by a certain composition of vacancies as the number of jobs which are typical of one industry only declines. On the other hand, technological change enables people who are no longer bound to the one particular industry (e.g. those who work in a planning, organisational or administrative capacity) to move easily from one sector to another. Moreover, changes in the wage ratios can arise. A study carried out by the West German Trade Unions Federation on gross earnings per hour in industry from 1960 to 1969 shows that over this period the printing industry has moved up from second to first place whereas the miners have dropped from first to fourth place.

Changing jobs within the same company is becoming increasingly important. This type of elasticity has already become a principle in American firms which practise "job rotation", the systematic exchange of certain people between various different jobs. There are various reasons for adopting a programme of job rotation, ranging from the educative aspect (on-the-job-training), via the need to fill a certain position (inviting employees to apply for a particular internal vacancy) to the general desire to develop employees' personalities (as a special measure against apathy and loss of initiative). The less the type of work changes in job rotation, the smaller will be the

Changes in the employment structure[1)]



1) As from 1960 including the Saarland and West Berlin.
Source: Federal Statistical Office

temporary drop in performance which can arise during the period of adaptation.

Although all jobs can be rotated, the outsanding importance of rotation is that it is a method of training for managerial positions. This method has the great advantage of developing the employee's knowledge and managerial qualities in various fields of activity and of permitting at the same time a thorough scrutiny of his management ability (measured by the success of the sector of which he is in charge).

The reason for the relatively slight use of this method in West Germany lies in the German citizen himself: in contrast to the well-known mobility of American workers, the German dislikes digging up his roots and therefore has up to the present been reluctant to move from one region to another and even to change jobs within the same firm. The frequency with which he changes jobs depends on his social class and age. The greatest mobility is to be found among the 30-35 year olds, but in the case of the unemployed it is the 20-35 year olds who are most readily prepared to accept changes (over half of them had already changed jobs once before becoming unemployed).

Movements of Population

Population movements within West Germany have declined since the mid-fifties. After the war there was a heavy stream away from the less industrialised of the states which took in refugees to those with a stronger tradition of industrial activity, especially North Rhine Westphalia and Baden Wurttemberg, whereas today it is interesting to note that there is considerable movement in both directions. In other words, population movements into strongly industrial areas have declined at state level, and there is now a good flow of labour in both directions.

It is difficult to study labour movements in the European Economic Community because data which take structural features into account are not available. It is therefore only possible to arrive at some general conclusions about the direction, volume and development of labour movements. Quantitative changes in the labour inflow from southern Europe have already been mentioned above. On the other hand, the progressive integration of national labour markets could perhaps increase the movement of qualified workers. But, with the exception of those areas along national borders, even the realisation of complete freedom of movement will not produce migration streams of any real size because language and other cultural factors are still considerable obstacles. Addititional difficulties are the differences between one country and another in professional education and in skill requirements, which can only be eliminated by a joint EEC policy.

STRUCTURAL CHANGES

The structural change in the labour market — in particular as regards the number of foreign workers — reveals not only interesting trends but also how strained the market is.

The labour market is not a uniform structure but consists of many smaller markets, all of which may show different regional developments. It is therefore important to know which economic areas are influenced in their growth by technological progress, and to what extent, in order to prevent differing standards, and therefore additional sources of strain from arising on the labour market. This integration problem will be even larger with economic and monetary union in the EEC.

According to a forecast of the labour market in 1980, labour will still be in short supply in West Germany. As the age structure of the population will not improve until towards the end of the seventies, the proportion of wage and salary earners (i.e. proportion of employed to the total population) is declining —from 44 per cent in 1968 to 42 per cent in 1980. Reductions in working hours — altogether 15 per cent from 1950 to 1968 — will continue. Total work done (number of hours worked per year by all employed persons) will therefore only grow by 0.2 per cent on average per year between 1968 and 1980; from 1950 to 1960 it increased by an average one per cent per year, owing to the rise in the number of employed, but sank by 0.6 per cent per annum on average between 1960 and 1968. The rise in the number of people living in West Germany by 2.7 million by 1980, and an increase of only 350,000 in the working population over the same period, will mean that fewer productive forces will have to supply a larger number of consumers. The result will be that West Germany will either have to employ even more foreign workers or invest heavily in still more rationalisation.

Sources and acknowledgements: This report is summarised from the *Economic Review* of the Deutsche Bank of West Germany, but the bank is responsible neither for the emphasis of my summary nor for my comments, based on a variety of sources.

Czechoslovakia's Foreign Trade

PROF. (DR) FRANTISEK KORBEL

CZECHOSLOVAKIA'S FOREIGN trade plays an important role not only in the overall development of its economy but also in the growth of international trade and world-wide economic co-operation.

The basic character of Czechoslovak participation in the international division of labour is the outcome of the fact that Czechoslovakia is a socialist country: hence the main orientation of its economic relations is directed towards other socialist countries.

In this area, Czechoslovakia has been able to reach in recent years a volume of trade corresponding to 70 per cent of its total imports and exports. The share of the largest the trading partner of Czechoslovakia, the Soviet Union, is nearly 50 per cent of the Czechoslovak trade with the Socialist countries and about 30 per cent of its overall foreign trade.

The basic model of Czechoslovak trading with foreign countries, more particularly with the socialist countries, is export of industrial products and import of raw material and foodstuffs. Czechoslovakia is fully aware of the advantages of such trading. It helps division of labour in the socialist countries to mutual advantage.

The largest trading partner of Czechoslovakia among socialist countries, as stated above, is the Soviet Union. Czechoslovak exports to the Soviet Union add up to 29.8 per cent of its total exports, while its imports from that country approximated 29.1 per cent of its total imports in 1968. Among the nations with whom Czechoslovakia trades, the Soviet Union ranks first (with approximately 30 per cent), while Czechoslovakia's rank among the Soviet foreign trade partners is second (with approximately 11 per cent), just behind the German Democratic Republic.

More than 70 per cent of Czechoslovak imports from the Soviet Union are raw and other materials such as crude oil, natural gas, sulphur, iron ore, nonferrous metals, precious metals, synthetic rubber, textile materials, furs,

fertilizers, cereal and other raw materials for the foodstuffs industry.

The great importance of Soviet raw materials for the growth of the Czechoslovak national economy is evident from the fact that some deliveries from the Soviet Union account for an overwhelming proportion of its imports, for example 98 per cent in the case of crude oil, 93 per cent in the case of cast iron, 87 per cent in the case of timber, 82 per cent in regard to iron ore, and 70 per cent in respect of lead. Nearly one-third of the necessary cereals are imported from the Soviet Union; in the case of wheat this proportion goes up to as much as slightly over 50 per cent. In the case of some of the precious metals, such as platinum, iridium, palladium and rhodium, the Soviet Union is the sole supplier to Czechoslovakia.

Indispensable Item

Besides the above materials, Czechoslovakia imports from the Soviet Union various other items which are indispensable for an intensive and efficient development of its economy. The Soviet Union is an important supplier to Czechoslovakia of various types of machinery, equipment and some type of complete industrial units. The Czechoslovak agriculture, for instance, works with more than 20,000 Soviet crawler tractors and 10,000 combines. Recently, Czechoslovakia received supplies which were important for the modernisation of its railway networks. The Soviet Union also delivers to Czechoslovakia various agricultural implements, building and road machinery, caterpillar tractors, metal-working equipment, cars, diesel locomotives, aircraft, etc.

Of the total Czechoslovak exports to the Soviet Union, 80 per cent are industrial products, machinery, equipment and consumer goods. Thanks to this structure of commercial relations with the Soviet Union, in which practically a barter takes place, finished articles, particularly machinery and equipment, are exchanged for raw materials, semi-products and foodstuffs. Czechoslovakia, thus, has been able to solve one of the most important problems of its national economy.

Czechoslovakia is a country poor in basic materials and the area of its land per capita is relatively small. In population, Czechoslovakia occupies 36th place in the world (having 0.46 per cent of the world population) and, in principle, the scope of its internal market is limited. In spite of all these facts and its very unfavourable geographical inland position, Czechoslovakia is one of the most industrially advanced socialist countries; it even occupies in this respect one of the prominent places on a world-wide scale. In addition, Czechoslovakia has to solve problems of its participation in the international division of labour connected with the rather expensive transport.

Owing to the inland position of Czechoslovakia, other European socialist countries are naturally its favourable business partners.

Czechoslovak business relations with industrially developed capitalist countries are the second most important part of its external economic relations. This area accounts for nearly 20 per cent of the Czechoslovak foreign trade in recent years.

Czechoslovakia has tried and still tries to extend its business relations with all countries of the world. Obviously these relations have to be based on the principles of equality and mutual advantages.

The territorial structure of Czechoslovak foreign trade in the area of industrially developed capitalist countries is characterised by the superiority of trade with European industrially developed countries, particularly with the two economic integrations.

There are many rational elements in our economic relations with industrially developed western countries, which have a positive bearing from the viewpoint of the needs and possibilities of Czechoslovakia, and a none-the-less positive bearing on the side of our customers and suppliers in western countries.

Imports from the West

Under certain circumstances and subject to certain conditions, Czechoslovakia is interested in importing from the western countries most advanced equipment, including the purchase of licences and patents as well as technical processes and technologies. In addition, Czechoslovakia is willing to import some raw materials and foodstuffs and there is an actual necessity to buy a number of services, such as carriage of goods by sea, on inland rivers, by railways and by air, use of port facilities and banking and insurance services.

Also for the industrially developed western countries, Czechoslovakia is a supplier of a number of engineering products, consumer goods and materials. Some of these engineering products, consumer goods and materials are traditionally connected with our customers in industrially developed western countries. The high technical standards of some kinds of Czechoslovak exported goods, which frequently surpass the average world quality, have an important influence, not only from the viewpoint of the economy of these countries, but also from a favourable political impact. The present development and growth of world prosperity, accompanied by technical development, specialisation and co-operation, places, with its technical consequences, still higher requirements on Czechoslovak exported goods. The actual rate of growth of Czechoslovak exports on the exacting western markets is a good evidence of the standard of quality of our products which match the quality of competitive goods.

Expansion of Contacts

Some representatives of commercial circles in western countries try to widen the sphere of their activities in conditions of socialist economy. Recently, there were efforts to expand economic and, to a certain extent, commercial-political relations between the west and the socialist countries. These efforts are manifested, in the sphere of commercial policy, by the gradual removal of existing quantitative restrictions. In spite of these tendencies, quantitative restrictions remain a considerable obstacle for Czechoslovak exports, limiting commercial opportunities.

In the field of economic relations with the industrially developed capitalistic countries, there exist still unexploited potentialities of mutual extension of trade. One of the basic conditions for such extension is the full treatment of Czechoslovakia in accordance with the "most favoured nation clause," the removal of all quantitative restrictions and the grant of full liberalisation of trade. Czechoslovakia, whose structure of exported goods is very varied, tries naturally to have all existing restrictions—which put her in an unfavourable place with regard to her competitors from other countries—completely removed.

Czechoslovakia is also an industrially developed country and is becoming more and more a buyer's market. In these circumstances, it is up to the initiative of our suppliers to spare no effort to get the largest share possible in the expected growth of the Czechoslovak market. Czechoslovak imports are not limited by any quantity restrictions or other licensing procedures. The fundamental rgulation of Czechoslovak imports is based on the principle of com-

parison of costs and the state of Czechoslovak foreign exchange reserves, the possibilities of exports and, particularly, export opportunities and other commercial and political conditions which influence the mutual exchange of goods.

So far as Czechoslovakia's trade with developing countries is concerned, it approximates 10 per cent of its total external trade.

A prominent place among Czechoslovak exports to developing countries is occupied by engineering goods, machinery and equipment. Of the total value of Czechoslovak exports to the developloing countries in 1969, exports of machinery and equipment accounted for more than fifty per cent. Some materials, including rolling stock, accounted for nearly ten per cent. Czechoslovak exports of consumer goods, chemicals, foodstuffs, etc., are also important.

Import of Raw Materials

Preponderant among Czechoslovak imports from developing countries are raw materials. Of the total value of the imports from the developing countries in 1969, minerals (crude) and metals accounted for 15 per cent, chemical raw materials and rubber almost 20 per cent, crude materials of vegetable and animal origin almost 45 per cent, foodstuffs eight per cent, etc. Consequently, it is obvious that the main imported items from developing countries are raw materials of mineral and vegetable origin. These imports are important for the Czechoslovak national economy, their share in total imports being in some intances considerable, e.g., cotton, jute, cattle hides, oils, feeding stuffs, oilseeds, kernels for industrial purposes, coffee, cocoa beans, fruit, natural rubber, iron ore, manganese ore, copper, etc.

In accordance with international recommendations, particularly those contained in Chapter IV of the GATT ("On Development") and the resolutions adopted at the second UN Conference on Trade and Development, Czechoslovakia endeavours to diversify its imports from the developing countries. It sees to it that in its imports from the developing countries larger and larger place is occupied by finished products and products of tropical origin. Czechoslovakia has increased its imports of finished textile articles, threads, some kinds of industrial goods and similar goods produced in newly built industrial plants in the developing countries.

Czechoslovakia is sincerely interested in the diversification of its imports from the developing countries. Well considered steps have been and still are being taken in the Czechoslovak economy, the aim of which is to increase the purchase of some kinds of finished articles or other products of the developing countries, both for internal trade and for some production branches. The result of some of these measures has been that, practically, Czechoslovakia has more than trebled its imports of tropical fruit during the last three years.

Technical Aid

Czechoslovakia is assisting developing countries with credits and technical aid. Credits are granted to developing countries on reasonable terms. In the case of governmental credits, the rate of interest ranges between 2.5 and three per cent per annum, the instalments being spaced according to the nature of equipment purchased from two to twelve years. Apart from governmental credits, Czechoslovak organisations of foreign trade grant suppliers' credits to their customers in the developing countries.

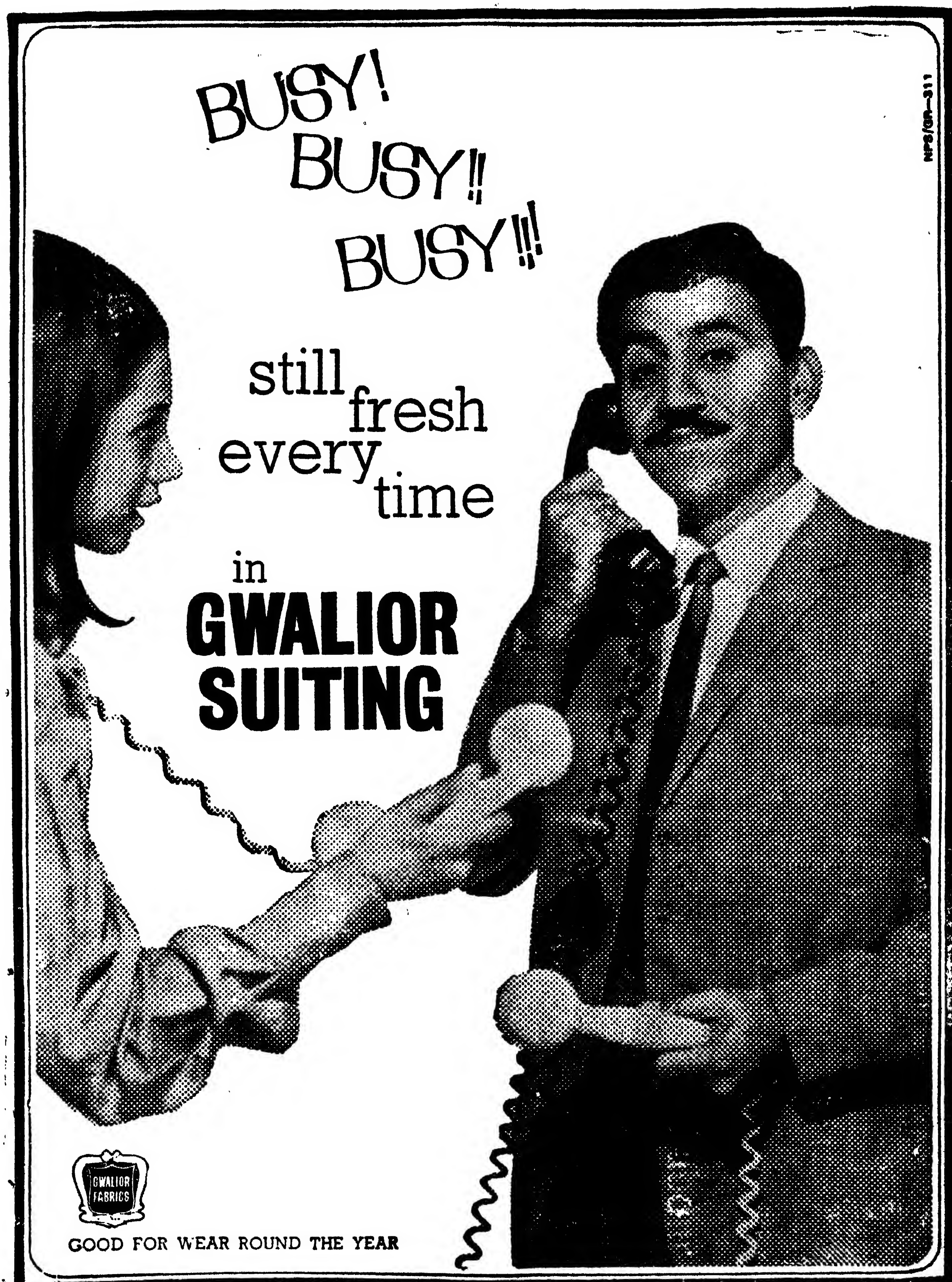
An integral part of every important delivery of Czechoslovak goods of investment character (machinery and equipment) to developing countries is technical assistance. Czechoslovakia helps in the erection and assembly of the goods supplied, their setting into operation and provides other technical services.

Exports of machinery, equipment and complete industrial plants represent more than one half of Czechoslovakia's total exports to developing countries. These exports, more particularly engineering products and industrial plants, require long-term credits which must be negotiated on terms customary in international trade, owing to the character of the deliveries and the capacity of the developing countries to pay these credits back. Generally speaking, these terms deteriorate as far as the exporters are concerned. The developing countries lack sufficient financial resources and insist that credit and other terms are improved for them. They require in some instances gratuitous technical assistance and ask for very liberal payment terms.

In pursuance of the policy of increasing the living standard of Czechoslovak population and in agreement with the strengthening tendencies to make use of Czechoslovak foreign trade in such a way as to make of it an intensive and effective tool of growth, it will be necessary to reconsider Czechoslovakia's possibilities of further imports of tropical origin and of consumer goods from developing countries themselves. This development could be intensified if the interest of the countries concerned in the export of their consumer goods were accompanied by a reasonable price policy.

When ensuring the optimum development of Czechoslovak economic relations with the developing countries, it will be necessary to solve serious problems, not only in the field of internal economy of Czechoslovakia (scope and extent of the consumption of goods from the developing countries in Czechoslovak economy). It would be advisable if the existing forms of economic relations, commercial transactions, credit policy and technical assistance were accompanied by such new forms which would be able to extend direct economic cooperation with developing countries and which would be acceptable to both partners.

In spite of certain problems arising in this connection, it can be stated that economic relations between Czechoslovakia, on the one hand, and developing countries, on the other hand, show favourable trends of growth and contribute in an important manner to the development of world-wide economic co-operation.


BUSY!
BUSY!!
BUSY!!!
still fresh every time
in
GWALIOR SUITING
GWALIOR FABRICS
GOOD FOR WEAR ROUND THE YEAR

The moving finger writes

THERE HAS always been a method in the madness of governments in Pakistan in their dealings with our country. This is simply to distract domestic or world attention from internal difficulties by working up tensions with the Government of India. Right now Yahya and his advisers are trying to squeeze the last drop of advantage out of such tactics. It must be said to their credit that they have very nearly succeeded in pushing to the background their barbarous repression of the freedom struggle in East Bengal by turning the spotlight of Indo-Pakistani as well as wider international attention on the issue of diplomatic relations between their country and ours. It is a pity that Mrs Gandhi and her counsellors have played into the hands of Islamabad. It is no doubt deplorable that the Yahya regime has been guilty of improper or uncivilised conduct in its treatment of the wife of our Deputy High Commissioner in Dacca but it surely betrays lack of a sense of proportion on the part of our government that they should have made themselves a party to the dramatisation of this particular matter in a manner which has helped to cloud the far more important question of the fate of the movement for Bangla Desh. It would clearly benefit the Yahya regime to rouse the passions of Pakistanis by sensationalising Indian reactions or responses and thereby divert domestic attention from the crisis in East Bengal. But it would ill-serve the freedom fighters of East Bengal for our government to walk into so obvious a trap. If there is any statesmanship at all in New Delhi, it should see to it that the "diplomatic" disputes between India and Pakistan are played down and the spotlight turned on the central issue of the Bangla movement.

* *

To Chavan-watchers in the country, it has always been a matter of some curiosity to evaluate from time to time in what algebraic relationship to zero—i.e., 'plus' or 'minus'— the Finance Minister's political status with the Prime Minister may be at any given moment. According to quite a few of them in the capital, the reading now is definitely a 'minus'. In proof of this they cite the cavalier treatment which Mrs Gandhi has chosen to mete out to Mr Shri Chand Chhabra who was recently asked to lay down the office of the President of the New Delhi Municipal Committee at short notice. It is public knowledge that Mr Chhabra is one of the blue-eyed boys of Mr Chavan to whom he has publicly expressed his (Mr Chhabra's) gratitude and admiration by christening a New Delhi Municipal Committee shopping-cum-residential complex in Chanakyapuri as "Yeshwant Place". One could have normally expected the Prime Minister to be more circumspect in dealing with a high government official who has not only carved out for himself an impressive position in the capital's civic life as a colourful and dynamic administrator but is also in the enjoyment of cordial personal relations with one of her senior colleagues in the government. That Mrs Gandhi has not allowed herself to be influenced by any such consideration is an interesting commentary on Mr Y.B. Chavan's present place in the New Delhi sun.

* *

Talking of the 'sun', I am prompted to think of 'the son'. A newspaper report, which has not been contradicted so far, has it that, in penalising Mr Chhabra for ordering the demolition of an unauthorised jhuggi colony, Mrs Gandhi was acting on the prompting of her young hopeful, Mr Sanjay Gandhi. Mr Gandhi's concern for jhuggi dwellers is perhaps derived less from the natural goodness of his heart than from certain commitments he might have entered into on behalf of his mother's party while campaigning for her candidates from the parliamentary constituencies in the capital. There have been persistent reports that certain sections of the population dwelling in the two Delhis were offered various inducements to cast their votes in a particular way. The Chhabra incident underlines the need for a public investigation of this allegation or grievance. Since the central government will obviously not be interested in ordering an official inquiry, the only hope lies in a citizens' committee being formed for ascertaining the facts and processing data for possible legal action through election petitions. Incidentally, the punitive action taken by the Prime Minister against Mr Chhabra was clearly in the nature of a slap on the fact of the Lt-Governor of Delhi who had reportedly given his consent to the demolition of the Jhuggis. So immersed is Mr A.N. Jha in Scotch and Sanskrit that it is obviously easy for him to cultivate detachment — philosophical or otherwise —where life's tantrums are concerned.

* *

While on the subject of the seamier side of election politics, I wish to draw the attention of my readers to the first batch of election petitions which has cropped up. That, with negligible exceptions, candidates who contested in the recent general election had spent or authorised to be spent or been witness to spending of amounts far in excess of legal limits is of course a fact which cannot be and is not in dispute—so much so that few would be prepared to believe that, even in the case of the Prime Minister, the legal requirement regarding election expenses had been honoured. This being the case, all that remains for the courts to judge is in how many instances this transgression of the law is proved to their satisfaction. It is a familiar saying that justice delayed is justice denied. Where litigation of the kind I have now in mind is concerned, this saying has a special validity. Some of the persons whose election successes are being challenged are holding positions as ministers in Tamil Nadu. Indeed the Chief Minister, Mr Karunanidhi, himself has been placed in this position. The public interest clearly demands that at least in the case of election petitions filed against ministers, the judicial proceedings should be speedily disposed of so that no person, whose election is eventually invalidated, manages to function as a minister for any long period of time merely as a result of the Law's delays. I am sure that some informal arrangement could be devised to expedite the proceedings with regard to election petitions falling in this special category.

* *

I recently had a stimulating hour with Mr. T.A. Pai, Chairman of the LIC, at his headquarters in Bombay. It was not very difficult for him, I imagine, to convince me that he personally was interested keenly in cutting red tape and improving efficiency, productivity and the spirit of public service in the vast establishment over which he presides. As a matter of fact, I am willing to grant that his enthusiasm and earnestness on this score are shared by the various zonal managers and deputy zonal managers. It is also my personal experience that senior officials in the LIC often bend over backwards to be of help to members of the public who seek the LIC's services or facilities. Where the real difficulty lies is in the fact that the prescribed procedures and regulations themselves are inherently so obstructive that LIC personnel at various levels find not only encouragement but justification for persisting in wooden, bureaucratic ways. If Mr Pai would reform the LIC, he should try to reform its men and machinery together.

V.B.

Trade Winds

LICENSING POLICY

THE UNION government announced, in February 1970, a revised industrial licensing policy, according to which the exemption from the licensing provisions of Industries (Development and Regulation) Act was raised upto Rs one crore, subject to certain conditions. However this exemption was not made applicable to certain specified industries mentioned in Schedule I annexed to the notification dated February 19, 1970. Accordingly, industrial undertakings engaged in these industries are required to obtain an industrial licence irrespective of the size of investments involved. Similarly, substantial expansion or diversification allowed without obtaining an industrial licence subject to certain conditions vide Ministry of Industrial Developments notifications dated February 28, 1970 and dated July 18, 1970 respectively have not been made applicable to these specified industries and as such no industrial undertaking engaged in these industries can affect substantial expansion or diversify its production into the above industries without obtaining an industrial licence under Industries (Development and Regulation) Act. The government has since decided to include "milk food and malted food" also in the list of these excepted industries, and accordingly item 3 of Schedule I annexed to each of the above notifications has been amended vide notifications issued on April 13, 1971, so as to read as under: "(3) Milk Foods falling under '(2) milk foods; malted foods falling under (3) malted foods and roller flour milling falling under (4) 'flour' under the heading '27 food processing industries."

It has been clarified that such industrial undertakings as have already established production or manufacture of any article or articles relatable to milk foods and malted foods industries in accordance with the provisions of exemption from licensing applicable to them but which have now become not so applicable because of the government's decision referred to above, will have to obtain a licence or permission, as the case may be, for carrying on the business of the undertaking in respect of such article or articles within three months from April 13, 1971. The industrial undertakings should apply for a 'carrying on business' licence in form 'EE' prescribed under the Registration and Licensing of Industrial Undertakings Rules, 1952.

CHEAP CLOTH

The union government has set up a committee to make suitable recommendations to ensure that the cotton textile mills fulfil their obligations in regard to the production of controlled varieties of cloth, required by the weaker sections of the community. The chairman of the committee is Mr C.S. Ramachandran, Additional Secretary, Ministry of Foreign Trade. The members are: five representatives of the Indian Cotton Mills Federation; Managing Director, National Textile Corporation; Managing Director, Cotton Corporation of India: Mr K. Kishore, Textile Commissioner and Mr B.D. Kumar, Joint Secretary, Ministry of Foreign Trade, who will be the convener.

The Ministry of Foreign Trade has finalised a schemes for increased production of the controlled varieties of cloth. For the present, the textile industry is being asked to ensure that 25 per cent of its total production is in the form of controlled varieties. The industry has also agreed that there will be no price revision of controlled varieties of cloth pending the report of the Bureau of Industrial Costs and Production.

IMPORT POLICY

The foreign trade policy for 1971-72 announced on April 30, 1971, proposed to enlarge the role of the public sector agencies in the import trade. The import of 51 new items is to be canalised through public sector organisations involving an additional import bill of Rs 130 crores. Of these new items majority are in the group of chemicals and ferro items. Aluminium, lead, zinc, graphite electrodes and anodes, gum arabic, raw manila hemp (fibre), raw sisal fibre will all be canalised through the respective organisations in the public sectors. So also high grade manganese ore, antimony ore, tungsten ore, base lubricating oils, polyester filament yarn, refractories and refractory material. Among the ferro-alloy items are ferro-molybdenum, ferro-tungsten, ferro-vanadium, ferro-silicon, stainless steel sheets, plates and strips in cut lengths or in coils (for all industries), heavy melting scrap and sponge iron metalised from ore and billets for electric arc furnaces. Some of the chemical items reserved for the public sector agencies are: Iodine, peppermint oil, citronella oil, synthetic rubber, erythromycine, its salts and esters, vinyl chloride, potassium chloride (industrial grade), citric acid and sodium borate. Special import facilities have been provided to the small-scale sector, backward regions and self employed technicians and engineers to set up new units and to create new employment opportunities. Closed engineering units, particularly in West Bengal, will receive high priority for import of raw materials so that employment and output are restored.

Among the new measures in the current year to achieve this objective were: (1) Import requirements of priority industries in the small-scale sector would be met with due regard to their assessed capacity. (2) Special facilities have been provided to qualified engineers and Indian residents abroad to import machinery for setting up industry with their own funds. (3) Small-scale units in backward areas would be permitted to import their requirements upto Rs 5,000 from free foreign exchange areas. (4) The terms of Registered Exporters' Policy Licences had been further liberalised in respect of the import facilities for restricted items and to a somewhat lesser extent in respect of banned items. (5) Ready-made garments and natural silk fabric had been added to the list of non-traditional items for eligibility of export houses for import facilities. (6) Exporters with long delivery contracts could now place indents for their requirements of raw material imports with the Industrial Raw Materials Assistance Centre, STC and MMTC for assured deliveries on the basis of international prices. Mr L. N. Mishra announced a number of measures to streamline the licensing procedure for imports and exports, including a plan to fix a time-table for disposal of import and export licences. Non-priority units would get import licences on an annual basis and the priority industries would obtain repeat licences for spare parts directly from the licensing authorities. Hospitals, medical institutions and medical practitioners would be permitted to import items of equipment, spare parts and essential drugs and life-saving equipment with import licence up to certain values. Facilities had been granted to individual tractor owners for import of spare part for tractors and to all individuals for import of technical and scientific books and journals.

FOREIGN TRADE

Exports from this country during 1970-71 are expected to be around Rs 1,530 crores, as against Rs 1,413 crores in the previous year. The rate

of growth represents an increase of 8 to 8.5 per cent. Exports between April 1970 and February 1971, for which firm figures are available, were worth Rs 1,395 crores as against Rs 1,285 crores for the 11 months in 1969-70. Taking March 1971, the exports far the whole of 1970-71 are expected to exceed Rs 1,500 crores. The Foreign Trade Minister, Mr L.N. Mishra, told a news conference that there was undoubtedly a breakthrough on the export front. The increase was far in excess of the "gloomy projections" of 3.5 per cent made by the World Bank in its draft chapter on foreign trade for its annual economic report on India, and clearly exceeded the fourth Plan target of seven per cent annual rate of growth.

(Rs crores)
(Post-devaluation rate)

Year	Imports	Exports (including re-exports)	Balance of Trade
1963-64	1926	1249	—677
1964-65	2125	1286	—839
1965-66	2218	1269	—949
1966-67	2078	1157	—921
1967-68	2008	1199	—809
1968-69	1909	1358	—551
1969-70	1567	1413	—154
April 1970—February 1971	1508	1395	—113
April 1969—February 1970	1442	1285	—157

PERFORMANCE OF BANKS

The data available for the first 14 months of 2,136 new branches of the nationalised banks show an average deposit collection of Rs 5.4 lakhs per bank and an average credit dispersal of Rs 3.2 lakhs. It was revealed that the credit-deposit ratio of 60 per cent which this performance worked out was good compared to two to four per cent before nationalisation. A significant feature of this development was that it indicated the absorption of the high volume of deposits in local areas specially in the rural sector reversing the earlier trend of deposits being attracted toward cities and urban sectors for utilisation. Of these new branches, 1,182 were in unbanked rural sectors and 271 and 14 in urban and semi-urban areas, respectively. There has been a significant expansion of agriculture in the form of loans against crops and the like. As against 172,000 accounts with outstandings of about Rs 38 crores before nationalisation, the number of accounts had gone up to 785,000 with outstandings amounting to Rs 202 crores by the end of last year.

The chief executives of the nationalised banks who met in New Delhi recently discussed the follow-up of the Thakkar Committee's recommendation particularly on the schemes with an employment potential. The conference had reviewed the action taken by different banks on the guidlines put forward by the Reserve Bank for the implementation of the committee's recommendations. The consensus of the conference was that the achievement of banks directly or indirectly generating employment through operations would depend on the "incentiveness" of each bank. During discussions on recruitment and personnel policies of the nationalised banks, it was suggested to centralise recruitment and also the development of regional training programmes.

U.S. WHEAT

The United States Department of Agriculture issued on April 20, 1971 a purchase authorisation for $17,490,000 covering purchase of about 280,000 metric tons of wheat by India. The entire quantity is likely to be shipped by the end of June 1971. The authorisation was issued in pursuance of the Supplementary PL-480 Agreement dated April 1, 1971 between the Government of the United States of America and the Government of India.

LOAN CONVERSION

The union government has authorised public financial institutions to convert loans and assistance in excess of Rs 50 lakhs granted to private industrial units into equity. This decision requires all public financial institutions giving aggregate assistance in excess of Rs 50 lakhs to private industrial concerns to normally provide in the loan covenant for convertibility into equity. In case where the aggregate assistance ranges between Rs 25 lakhs and Rs 50 lakhs, the institutions, the government announced in a set of guidelines issued recently, may use their discretion inserting a suitable convertibility clause. Where the aggregate financial assistance is below Rs 25 lakhs the institution may not stipulate the convertibility clause in the loan agreement. In all such cases, however, the clause will relate to rupee loans only. The guidelines require the financial institutions to ensure that a reasonable ratio is maintained between debt and equity in the case of all assisted concerns in the interest of shareholders. They will have a say in the management of the assisted companies in that the order authorises the institutions to nominate directors to represent them. The new direction carries forward the government's conception of a joint sector in which both private and public capital are partners. suggestion for conversion of loans from public financial institutions such as the nationalised banks, the Industrial Finance Corporation, the Industrial Development Bank, the Investment Corporation of India, the Life Insurance Corporation and the Unit Trust of India was also made by the Industrial Licensing Policy Inquiry Committee. According to official sources the guidelines are intended to bring about uniformity in approach in convertibility by all public financial institutions. In respect of loans given in the past the financial institutions concerned would have discretion to negotiate conversion if there is a default, each being settled on its own merits by negotiations with the industrial concerns.

AWARD FOR INVENTIONS

The union Minister for Industrial Development, Mr Moinul Haq Choudhury, recently called upon the Inventions Promotion Board to extend its activity to industrial exploitation of the inventions. Distributing the awards for import substitution, he said that the Board should also give more attention to the rural areas. Mr Choudhury praised the efforts made by the Board in giving assistance to the inventors. He was happy that the list of inventions made ranged to even sophisticated and complex items. So far the Board has given 269 awards totalling Rs 2.82 lakhs and grants of Rs 5.56 lakhs. The award distributed this year included eight inventions announced on the 1970 Republic Day, for the 30 inventions announced on the Independence Day of 1970 and 14 awards announced during this year's Republic Day.

VARIMEX EXHIBITION

Varimex, Polish enterprise for foreign trade in co-operation with Messrs. Sevantilal and Bros, Bombay, the sole agent for medical equipment in India, organised an exhibition at Polish Information Centre, New Delhi. The exhibits represented surgical and dental instruments which have been known in Europe and all over the world for several years.

NAMES IN THE NEWS

Dr P. Bharali has been appointed to the post of technical adviser in the office of the Managing Director, Oil India, New Delhi. He will be responsible for the basic scrutiny of plans made by the operating personnel at field headquarters, to enable the two executive directors of the company, the Managing Director and the Financial Director, to keep the shareholders informed and formulate policy for the eventual board approval.

Company Affairs

TEXMACO

AT THE meeting held recently, the directors of the Textile Machinery Corporation Limited have not recommended any dividend, both on the equity and preference shares, for the year ended December 31, 1970, in view of paucity of funds. The profit amounts to Rs 48.67 lakhs against which a sum of Rs 5.24 lakhs has been written off against debenture issue expenses and the balance amount of Rs 43.43 lakhs has been provided for depreciation. The dividends on all classes of preference shares were recommended in 1969, while the dividend on the equity was skipped for the past few years.

DUNLOP

Dunlop India has submitted an application to the union government for permission to establish a new factory with an initial capacity of 300,000 automotive tyres and tubes in Goa. This was disclosed at the annual general meeting of Dunlop India Limited by the chairman, Mr R.G.S. Nairn. He said that in keeping with the company's policy of forward planning, some land had already been purchased and he expressed the hope that this application would be considered favourably, particularly in view of the company's creditable export performance, good record of supplies to defence and vehicle manufacturers and development policies.

HINDUSTAN BREWERIES

The subscription list of the public issue of Rs 12.25 lakhs in 122.000 equity shares of Rs 10 each at par by Hindustan Breweries and Bottling Ltd will open on May 11. The entire public issue has been underwritten. The company proposes to set up a brewery at Thana near Bombay with an installed capacity of 25,000 bottles per day. It has been promoted by the Gokul Chand Narang group of New Delhi. The total cost of the project is estimated at Rs 74.24 lakhs.

BANK OF BARODA LTD

The directors of Bank of Baroda Ltd and Tata Chemicals Ltd have approved the scheme of merger of Bank of Baroda Ltd with Tata Chemicals Ltd. The effective date of the merger will be January 1, 1972. Under the scheme, holders of five shares of Bank of Baroda Ltd will receive nine ordinary shares of Rs 10 each of Tata Chemicals and five 8% debentures of Rs 100 each of Tata Chemicals. The debentures and new shares will rank for interest and dividend, from January 1, 1972. Those shareholders of Bank of Baroda Ltd who are not willing to join the scheme of merger will be given Rs 135 per share. The funds received by Tata Chemicals will be utilised by the company for financing partly its expansion plans. The boards of both these companies feel that the scheme is in the interest of the shareholders of the companies.

CHEMO-PHARMA

Chemo-Pharma Laboratories Ltd. proposes to diversify in the field of thermosetting plastics. The company has recently received an industrial licence to manufacture annually 600 tonnes of urea formaldehyde moulding powder, 260 tonnes of mellamine formaldeyhde moulding powders and 250 tonnes of industrial resins. This new project will be set up at Bhiwandi (Maharashtra). Construction work of the factory building has already commenced. During the year 1970 the company received a gross profit of Rs 10.32 lakhs. Equity dividend was maintained at 12 per cent.

INDIAN COPPER

Indian Copper Corporation Ltd has declared a taxable ordinary dividend of 11.111 per cent, 20 paise per unit of stock for 1970 against 8.889 per cent in the previous year absorbing £285,688 (£228,550). The pre-tax profit has amounted to £1,718,357 (£1,225,126) after providing £296,747 (£319,669) for depreciation and £20,794 (£135,798) for development rebate reserve. Taxation claims £861,111 (£530,556) leaving a net profit of £857,246 (£694,570). A sum of £38,204 (£41,919) has been transferred from development rebate reserve. After making provision for capital reserve, the balance of £861,053 (£689,341) is transferred to general reserve.

DHARAMSI MORARJI

The Dharamsi Morarji Chemicals Co. Ltd has recorded during 1970 a gross profit of Rs 1.34 crores against Rs 1.31 crores for the previous year. The total sales for 1970 amounted to Rs 850.63 lakhs as compared with Rs 794.89 lakhs in the previous year. The directors have proposed to maintain an equity dividend of Rs 10 per share on the company's increased capital. The proposed equity dividend would absorb Rs 25.49 lakhs with the bonus share issued during the year participating in distribution. Six per cent of the dividend is expected to be tax-free against seven per cent of the 1969 dividend. The total value of exports was Rs 28.32 lakhs, which showed an increase of Rs 3.67 lakhs as compared with the performance in 1969. Out of the gross profit, depreciation claims Rs 34.61 lakhs, taxation Rs 53.50 lakhs and development rebate reserve Rs 3.11 lakhs leaving a disposable surplus of Rs 43.15 lakhs against Rs 42 47 lakhs. This surplus has been disposed of by transferring a sum of Rs 41.47 lakhs to the general reserve No. 1 and the balance of Rs 1.74 lakhs to general reserve No. 2.

UNIVERSAL TYRES

Universal Tyres Ltd expects to start trial production shortly. Construction of the company's buildings is nearly completed, and most of the imported and indigenous machinery has been received and erected at the factory. The company's working during 1970 has resulted in a loss of Rs 52,108. After bringing in the previous years' loss and making some adjustments, a debit balance of Rs 60,540 has been carried forward.

WARNER-HINDUSTAN

The board of directors of Warner-Hindustan Ltd has at its recent meeting proposed to maintain the equity dividend for the year ended December 31, 1970, at nine per cent fully exempted from tax under Section 80 K of the I.T. Act, 1961. It has also decided to issue, subject to the approval of the shareholders and the Controller of Capital Issues, bonus shares in the proportion of two equity for five equity by capitalising Rs 28 lakhs from the general reserves. The net sales during the year increased by 60 per cent from Rs. 2 68 crores to Rs 4 29 crores and the net profit from Rs 25.35 lakhs in 1969 to Rs 43.29 lakhs. The profit was arrived at after providing Rs 24.89 lakhs for depreciation, Rs 48.86 lakhs for taxation and Rs 0.64 lakh for development rebate reserve. The previous year's provisions under the respective heads were Rs 17.53 lakhs, Rs 2.90 lakhs and Rs 26.26 lakhs. After adding Rs 4.67 lakhs on account of excess provision and refund of income-tax, etc., the amount available for appropriation is Rs 47 96 lakhs out of which the directors have allocated Rs 15.54 lakhs to prior year's adjustments. Rs 2.65 lakhs to reserve for repayment of US AID loan and Rs 12 lakhs to preference share capital redemption reserve. The prior year's adjustments in-

clude additional depreciation of Rs 12.56 lakhs on account of the readoption of the method for providing it on reducing balance basis, Rs 0.92 lakhs written off in respect of capital expenditure on scientific research and Rs 2.05 lakhs for other adjustments. Out of the balance, the dividend on preference and equity shares would absorb Rs 7.80 lakhs and Rs 9.97 lakhs would be transferred to the general reserve.

H.M.T.

Hindustan Machine Tools hopes to make profits during the current year, according to Mr S.M. Patil, Managing Director of the company. Addressing a news conference after laying the foundation-stone for the Rs 3 crores press division, Mr Patil foresaw "exciting prospects" with the decision to establish five new projects at a cost of Rs 20 crores at Srinagar, Bangalore, Kalamassery, Pinjore and Hyderabad. The press division, being set up in collaboration with a Chicago firm, is expected to come up within 18 months from now. However, without waiting for the project to come up, presses of smaller capacity were already being manufactured at Hyderabad. Mr Patil pointed out that these presses, which were a kind of machine tool, would be useful for the proposed small car project. Mr Patil expected production to go up to Rs 20 crores and exports to Rs 1.5 crores during the current year. Total exports have touched the Rs 100-crore mark, he added. All the HMT projects put together have achieved 80 per cent capacity utilisation, Mr Patil said.

CAPITAL AND BONUS ISSUES

Consent has been accorded to 17 companies to raise capital of over Rs 24 crores. Eight of them are to issue bonus shares totalling over Rs 11.17 crores. The consents are valid for 12 months. The following are the details:

Voltamp Transformers Private Ltd, Bavla, Ahmedabad, has been accorded consent to capitalise Rs 3,04,000 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every one equity share held.

Taneegunge Cola Association Ltd, Calcutta, has been accorded consent to capitalise Rs10,49,600 out of its general capital reserves and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus share for every five equity shares held.

Chemosyn Private Ltd, Bombay-69, has been accorded consent to capitalise Rs 5 lakhs out of its general reserves and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of five bonus shares for every eight equity shares held.

Oil Seals Manufacturing Co. Private Ltd, Bombay, has been accorded consent to capitalise Rs 3,60,000 out of its general reserves and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every equity share held.

The Kolhapur Sugar Mills Ltd, Kolhapur, has been accorded consent to capitalise Rs 19,59,000 out of its general reserves and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every 4 equity shares held.

Voltas Ltd, Bombay, has been accorded consent to capitalise Rs 86,58,000 out of its general reserves and share premium account and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every five equity shares held.

Hindustan Wire Products Ltd, Calcutta, has been accorded consent to capitalise Rs 6,25,000 out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one for every three equity shares held.

Lamp Caps & Filaments Ltd, Bombay, has communicated to government of its proposal to issue capital under Clause 5 of the Capital Issues (Exemption) Order, 1969 of Rs 40 lakhs (including Rs 41,000 already issued) divided into 3 lakhs equity shares of Rs 10 each and 10,000. 9.5 per cent cumulative redeemable preference shares of Rs 100 each to be issued for cash at par for financing the first phase of the project for manufacture of tangsten filament wires.

Indian Tool Manufacturers Ltd, Bombay, has communicated to government of its proposal to issue capital under clause 5 of the Capital Issues (Exemption) Order, 1969 of Rs 38 lakhs in the form of secured loan for expansion of the company's plant at Nasik.

Bijoynagar Tea Co. Ltd, Calcutta, has communicated to government of its proposal to issue capital under Clause 5 of the Capital Issues (Exemption) Order, 1969 of Rs 36 lakhs for creation of charge for cash credit for augmenting its finances.

Credit Guarantee Corporation of India Ltd, Bombay, has communicated to government of its proposal to issue capital under clause 5 of the Capital issues (Exemption) Order 1969 of 20,000 equity shares of Rs 1000 each for Rs two crores for giving guarantees and indemnities for credits granted by banks and other Institutions to various borrowers.

Malhati Tea & Industries Ltd Calcutta, has communicated to government of its proposal to issue capital under Clause 4 of the Capital Issues (Exemption) Order, 1969 of Rs 30 lakhs for creation of charge for a cash credit for augmenting its finances.

The Delhi Cloth & General Mills Co. Ltd, Delhi, has been accorded consent to capitalise Rs 7,73,47,725 out of its general reserves and issue fully paid equity shares of Rs 25 each as bonus shares in the ratio of four bonus shares for every Rs 125 equity capital held.

SKOL Breweries Ltd, Bombay, has communicated to government of its proposal to issue capital under clause 5 of the Capital Issues (Exemption) Order, 1969, amounting to Rs 33,25,000 (including Rs 24,00,070 already issued) divided into 3,32,500 equity shares of Rs 10 each to be issued privately for cash at par for financing the manufacture of beer.

The Hindustan Construction Co. Ltd, Bombay, has communicated to government of its proposal to issue capital under Clause 5 of the Capital Issues (Exemption) Order, 1969, of Rs 175 lakhs divided into Rs 50 lakhs in 9.5% redeemable cumulative second preference shares of Rs 100 each, redeemable after 12 years but not later than 15 years for cash at par and Rs 125 lakhs in 12,500 non-convertible debentures of Rs 1,000 each carrying interest at 8 per cent per annum for cash at par for repayment of advances obtained by the company.

Industrial Reconstruction Corporation of India Ltd, Calcutta, (proposed to be set up) has communicated to government of its proposal to issue capital under clause 5 of the Capital Issues (Exemption) Order, 1969 of equity shares of Rs 1000 each of a value of Rs 10 crores for financing the reconstruction and rehabilitation of industry.

Kothari (Madras) Ltd, Madras, has been accorded consent to issue capital of Rs 2,40,59,250 consisting of equity shares of Rs 10 each of a value of Rs 2,22,59,250 (of which shares of Rs 750 subscribed by the subscribers to the memorandum) and 9.3% cumulative redeemable preference shares of Rs 10 each of a value of Rs 18 lakhs to the share holders of Blue mountain Estates & Industries Ltd, Waterfall Estates Ltd, Balmedies Plantations Ltd, Kothari Textile Ltd and Adoni Spinning & Weaving Co. Ltd as a result of the latter companies' amalgamation with Kothari (Madras) Ltd, sanctioned by the High Court, Madras.

BOOKS BRIEFLY

Structure of British Tax System

British Budgets in Peace and War 1932-1945: B.E.V. Sabine; George Allen & Unwin, London; Pp 334; Price 75s.

Trade Union Movement in Indian Railways: M.K. Mast: Meenakshi Prakashan, Pp 205; Price Rs 25.

Institutional Financing in India: Dr T.P. Maitin; Sahitya Bhawan, Agra; 1971; Pp 283+xxiii; Price Rs 35.

West Bengal—An Analytical Study: Bengal Chamber of Commerce and Industry; Oxford & IBH Publishing Company; 1971; Pp 208; Price Rs 30.

Management Gap in a Developing Economy: M. S. Gosavi; Progressive Corporation Private Ltd, Bombay; 1971; Pp 140; Price Rs 16.

Indian Industries — Development and Location: Dr M. R. Chaudhuri: Oxford and IBH Publishing House; Pp 230; Price Rs 16.

Reviewed by ACADEMICUS

In 1933 Sir Bernard Mallet and C. Oswald George published the third of a series of volumes on British budgets covering the period 1921-22 to 1932-33, that is, ending with Neville Chamberlain's first budget of 1932. The avowed intention of the two authors was to give condensed but readable accounts of each separate budget speech with the discussions which accompanied it and to bring out, by quotations and summaries, the opposing arguments of the main matters at issue in the debates. The readers owe a great debt to B.E.V. Sabine that he has taken up that work and revived the tradition. This is because the readers of *British Budgets in Peace and War 1932-1945* will realise that in spite of the fashionable pastime in the post-war world to deride the annual budget as an outworn relic, the budget is likely to remain a unique economic and political event of every year.

Radical Changes

As we read the book, one finds that the period from 1933 to 1945 saw more radical changes in taxation, particularly in direct taxation and in budgetary policy generally, than any other dozen or so consecutive years in British fiscal history. Chamberlain's first four budgets, though pitched in a minor key, played a vital part in the limited recovery of 1933 to 1936, by a delicate combination of inflationary and deflationary measures. His last three budgets were inevitably circumscribed by mounting armaments expenditure, a handicap which got intensified under Simon. Even when World War II broke out, the level of taxation rose up only in a surprisingly slow way. It was left to Kingsley Wood and his advisers from 1941 onwards to put taxation on a war footing. It was however Anderson, his successor, who completed the transformation of the budget from a book keeping statement of income and expenditure to its use as a cardinal instrument of state policy.

Direct taxation holds pride of place in the catalogue of changes, the yield rising from £ 484 millions in 1938 to £2,054 millions in 1945, the major ingredient of which was income-tax and surtax. But from the outset of the war, there had always been a measure of relief from income-tax, including surtax, to any individual whose actual earned income for the current year had, owing to war, fallen substantially short of his earned income as assessed normally on the amount of the preceeding year's income. This relief, continued annually, was a specific wartime measure. There were also some other legislative concessions which also acted as a lubricant to the high-geared tax machine.

The outstanding administrative innovation of the period basically in collection procedure was Pay as You Earn. This method did make a very important contribution to the battle against inflation by immediate deductions from wages paid weekly or monthly. The adjustment of rates and allowances and improvements in collection were the two well-proved methods of increasing tax yield and efficiency.

Imposition of New Taxes

A third factor was the imposition of new taxes. Chamberlain's idea had been to tax not profits as such, but their rate of expansion, and the rate of charge was to vary according to the percentage of growth. The Excess Profits Tax became one of the main sources of tax revenue from 1939 to 1945.

It is a fiscal axiom that high rates of a tax attract both avoidance and evasion in direct proportion to the steepness of those rates. In the period under review there was hardly a Finance Act which did not therefore contain, to a greater or lesser degree, anti-avoidance sections.

But direct taxation was only one weapon in the battle for current revenue and struggle against inflation. Indirect taxation played a role which was equally indispensable. The rise of indirect taxation to its climax was a more gradual process than that of direct taxation. But towards the end of the war it was the only fiscal sector where expansion could still by justified both for practical and psychological reasons. From a fiscal point of view the two most significant features of indirect taxation during the period were, first, its remarkable and consistent buoyancy and secondly, the fact that the chancellors never felt the need to resort to some 'fancy' taxes.

Outstanding Innovation

There was one outstanding innovation in the sphere of indirect taxation, parallel to the introduction of Excess Profits Tax in the field of direct taxation, namely Purchase Tax, which joined the tax structure in 1940. Purchase Tax was an undoubted success on both its fronts; but like Excess Profits Tax, its rates encouraged evasion and with rationing was a powerful stimulus to black-market activities. By 1945 there was a tacit assumption that the Purchase Tax was losing its character as a wartime and temporary measure and was grudgingly gaining approval as a permanent fiscal measure.

From the reading of the book, it is obvious that of the four chancellors of the period (Chamberlain, Simon, Kingsley Wood and Anderson), strange as it might appear, it was Chamberlain who was the strongest of them of all, combining experience and orthodoxy. Moreover, Budgets were reflections of the Chancellors who presented them. Chamberlain's were orthodox profit and loss accounts, the product of an accountant-politician; Simon's budgets were cast in the conventional mould but they were drafted by a lawyer who had accepted a brief for their defence. Wood altered and simplified the form of presentation entirely, a process continued and perfected by Anderson in whose budgets the statistics occupied a comparatively minor place.

The importance of the budget debates is to see how far the chancellor and his advisers read the prevailing economic conditions right and how far the average member of the legislature understood the basic economic

trends and issues of the period. From the reading of the book one gets the impression that it is in the nature of taxation that its victories are more easily achieved in war when taxation measures are based on a sort of inspired pragmatism than in peace when taxation issues tend to get blurred by party prejudices and theoretical experiments.

This is an extremely readable book and even as one reads this book the thought is ever present that someone should write a similar book on Indian budgets.

TRADE UNIONISM IN RAILWAYS

In the trade union world the year 1968 has a special significance as it marks the golden jubilee of the Indian trade unionism of which railway labour movement in India is an integral part. Dr Mahesh Kumar Mast deserves warm appreciation for his scholarly publication *Trade Union Movement in Indian Railways,* which secured for him the Ph.D. degree of the Agra University.

It is interesting to know that trade union movement in Indian Railways is a post-1914 phenomenon. Until 1914 the so-called railway unions were mostly humanitarian and philanthropic associations to aid railway workers. The low wages and high profits during World War I, the rising price level, the recommendations of the Acworth Committee Report, the Russian Revolution and the formation of ILO increased the sense of solidarity among railway workers and stimulated the Indian Railway unionism in the post-war period. It was however only after 1926 when the Indian Trade Union Act was passed that the real beginning was made. But during the years 1926-29 the movement was marked by internal dissensions and by the impact of political and communal factors. The depression years of 1930-34 struck a severe blow to the railway trade union movement. The period 1935-38 saw the revival of railway unionism and was the period of 'hope and optimism for the Indian trade unionism in general. The breaking out of hostility in Europe in 1939 and gradual rise in the cost of living gave a fresh impetus to the struggle of Indian railway workers, and the years 1939-45 were the years of hard toil for workers in general. The price level during World War I showed steep rise and along with the price rise the trade union membership showed a rising trend, the index of membership (with 1930-31 as the base year) shooting up to 114 in 1939, 240 in 1945 and 413 in 1948.

Although railway trade unionism has come to stay, according to the author, its present position in regard to membership and finance is far from satisfactory. The explanation of this lies in the poverty of members, their heavy financial liabilities, lack of enthusiasm for union and also, to some extent, to the hostility of railway administration. Being poverty-stricken, railway unionism has not been able to develop welfare activities for its members. According to the author the most important internal weakness of the Indian railway unionism is that the very urge for organisation is wanting among railway workers who take interest in unions only when faced with a grievance. The membership generally increases during periods of strikes and dwindles at other times. The fact is that the real strength of a union lies in its consistent membership.

The author also notes that the Indian railway unions have generally failed to promote all-round development of their members who therefore do not take keen interest in their unions. Nothing so far has been done by unions to promote among members self-help and co-operation. The basic differences between the two rival bodies, namely the National Federation of Indian Railwaymen and All-India Railwaymen's Federation, have been also hampering the constructive work of railway unions in India.

Distant Relationship

If we find strained industrial relations in Indian Railways, the main reason is the distant relationship between the railway management and the railway workers. Management executives confined to ivory towers in distant places have lost all contacts with the rank and file who have to work in distant parts of the country away from home. The Indian Railways should in fact provide a model for industrial relations in India. This will require a regular and effective means of communication from top to bottom and vice versa in order to keep the management informed about the needs and difficulties of railway employees. Also, Indian Railways, being the largest employer and the biggest public utility establishment in India, is expected to give lead in introducing labour participation in management and set a worthy example for others to follow. The author rightly feels that railway trade unions should also adopt responsible and constructive attitude towards all these problems and divert the energies of their members to more fruitful fields of co-operation.

The Indian Railways are beset with many problems of which labour problem is an important one. It is good that the author has analysed these labour problems in Indian Railways in an objective manner and has pointed out the direction in which railway unionism in India should move in future.

INSTITUTIONAL FINANCE

In his book *Institutional Financing, in India,* Dr Maitin has made an attempt to examine the operations of the specialised financial institutions in India and to suggest appropriate improvements in the working of these institutions. The period covered by this study is from the beginning of institutional financing in India to the accounting year of financial institutions ending in 1969, i.e. a history of about 22 years.

The author's survey has led to instructive findings and conclusions. The financial problems of an under-developed economy are so profound that very determined efforts are necessary to meet the situation. Promotion of specialised institutions for supplying industrial finance is one such effort which may help the economy to go forward.

The author is of the opinion that inadequate supply of industrial finance was a major limiting factor in the industrial growth of the country and that the importance of institutional financing was recognised rather late in India. Although such institutional financing for industrial development was recommended by the Industrial Commission in 1916, External Capital Committee in 1924, and the Central Banking Enquiry Committee in 1931, it was only in 1947 that it was accepted as an important instrument of industrial growth.

The history of institutional financing in India opens in 1948 when the Industrial Finance Corporation was established. This was followed by the enactment of the State Financial Corporation Act in 1951 which enabled states to establish separate financial institutions in the states. NIDC was incorporated in 1954 and ICICI was sponsored in 1955. Then came the Refinance Corporation in 1958, Rehabilitation Industries Corporation and Film Corporation in 1959 and the state industrial development corporations since 1960. Unit Trust of India was formed in 1964 and IDB appeared on the scene the same year. This shows how specialised financial institutions were established in India in quick succession.

Examination of the cost of institutional finance in India was one of the objectives of the study. The author's findings are that the cost of finance fluctuates from institution to institution

and that the terms and conditions of assistance are not uniform. It is observed that the terms of assistance of a private financial institution are generally more favourable to industry than those of statutory corporations. A comparison between the cost of institutional finance and capital issues shows that the recurring cost of issuing debentures is generally lower than the cost of institutional finance which is about 9.3 per cent. It is perhaps the cost of issuing preferential shares which is a little higher than the cost of institutional finance. In sum it may be suggested that financing costs of industry should not be allowed to move in an arbitrary manner and there should be greater uniformity between the cost of financial assistance provided by different financial institutions.

Institutional Finance

As regards the estimate of the supply of institutional finance, the study shows that the institutional finance in India has contributed only about 11.5 per cent of the requirements of industrial finance during the period of the three five-year Plans. In view of the future estimates of about 18 per cent expected from this source of industrial finance, some extra effort seems necessary to increase the supply of finance. In this connection the author has examined the question of specialisation versus expansion of financial institutions in India and his analysis shows that one essential measure to increase the usefulness of the financial institutions in India and to augment the financial assistance rendered by them is the avoidance of overlapping functions and duplication, and introduction of specialisation in their activities.

The author has come to the conclusions that the ICICI is the only financial institution exclusively working for the private sector in the country, that the forms of financial assitance available from different financial institutions are almost similar, that the nature and variety of their functions are almost identical and that there is a considerable amount of overlapping of functions. It is for this reason that the author has suggested more planning and specialisation in the institutional financing in India. Thus the need of the hour according to the author is to reorganise the institutional structure of these financial institutions on a more scientific basis.

The author also has made the further valuable suggestion regarding the creation of a separate cadre for managing these specialised financial institutions in the country. This is because it is the quality of the personnel who run these financial institutions that will ultimately determine the quality of the operations of these institutions.

In order to augment the lending capacity of these institutions, there will have to be more effective mobilisation of resources. At present except UTI no other financial institution in the country makes an attempt to mobilise resources from the general public, which means that the contribution of private capital to their resources has been negligible. Therefore the author has suggested that opportunities should be created for private investors for an increased participation in the supply of funds to these institutions.

Industrial decentralisation, regional distribution and balanced regional industrial development are some of the goals of our five year Plans. The author therefore has made the suggestion that the priorities of the five year Plans and financing policies of the public financial institutions should synchronise. A clear-cut policy should be formulated in respect of priorities of assistance to be rendered by these financial institutions. To assist backward areas, rates of institutional assistance to these areas may be subsidised.

The author has also suggested that the annual reports of these institutions should be extremely comprehensive enabling more detailed analysis of their functioning.

After reading this book one feels that since these institutions have been working for quite some time, a thorough enquiry by a commission is necessary. This will enable the reorganisation of these bodies on a more scientific basis and enable better and more effective use of their limited resources.

There is no doubt that the author has taken great pains to collect the material and analyse it as objectively as possible. The reading of the book gives a better idea of the financial requirements of our industries and the role played by the specialised financial institutions in the country. His positive suggestions are eminently suitable and should receive careful consideration at the hands of the authorities concerned. The book will be found useful especially by the students of industrial finance.

PROBLEM OF W. BENGAL

The problem of West Bengal with its strategic geo-political position, immense natural resources and talented people becomes the national problem. And therefore a systematic and comprehensive study on which to base the solution of the problem has long been overdue. The Bengal Chamber of Commerce and Industry is therefore to be congratulated for sponsoring this significant task. *West Bengal — An Analytical Study*, it must be mentioned, does not attempt to work out a detailed and final solution to the problems of West Bengal. It however examines some of the causes that have led to the present state of affairs in West Bengal and to put them in the proper perspective. The idea behind the study is that such an analysis based on objective data will contribute to our understanding of the problems affecting that state and thus create an atmosphere in which satisfactory solution can be worked and serious efforts for the regeneration of the state can begin. It is an extremely laudable objective and this excellent study has succeeded in putting the matters in their proper perspective and pointing out the directions in which proper solutions might be sought.

Why Bother!

Why bother about West Bengal? How important is that state to India? Apart from its strategic Geo-political position, about one-third of India's coal requirements are met by that state which also enjoys a monopoly in jute. West Bengal accounts for about one-half of the total engineering capacity in the country and a substantial part of chemical and pharmaceutical industries. The state contributes the largest share of India's foreign exchange earnings through mainly its exports of jute products and about a quarter of the total exports of tea. Besides a share in the vital aluminium industry, West Bengal also accounts for about a third of India's steel capacity. The total number of joint stock companies at work in that state as on March 31, 1969, was 9,136 with a paid up capital of Rs 640 crores, representing about one-third of the national total. In 1967, the state absorbed Rs 619 crores of scheduled bank credit out of the national total of Rs 2,734 crore, i.e. about 22.5 per cent. Further, because of its geographical position, West Bengal provides facilities for a large volume of international and inter-state trade. Before its recent decline, Calcutta used to handle about 40 per cent of our total foreign trade. Major industrial centres are located in the hinterland of Calcutta-Haldia port complex and the vast network of railways, air and sea communications spreading out in all directions from Calcutta connect the cities and all these important economic centres in the eastern region of the country. This should explain the importance of West Bengal to India and why the vicissitudes of West Bengal are the concern of the whole country.

The book has explained with excep-

tional clarity various aspects of the life of the people in West Bengal —the physical features, the gradual growth of industries, the cultural resurgence, the impact of partition and the economic developments since independence. Strangely enough it is after independence that West Bengal, in spite of fairly stable government of Dr B.C. Roy, begins its downward journey, so much so that in subsequent years Calcutta becomes a city in agony and a national problem. The book has objectively analysed, the problems which agriculture, industry and transport are facing in West Bengal since independence. There were and still are the problems of recent recession which only accentuated the misery of the unfortunate masses of people especially in Calcutta and the areas around.

Unfounded Accusation

Against the fast deterioration in socio-economic position in West Bengal in general and the Calcutta metropolitan district in particular, there is the temptation on the part of Bengali public opinion to put the entire blame and responsibility for this sorry state of affairs on the shoulders of the union government. The book has objectively examined this charge against the union government and has come to the conclusion that generally there is no validity in that accusation. Thus, it may be noted that the central investment on industrial project located in West Bengal during the period 1951-1968 amounted to Rs 408.2 crores as against Rs 48 crores in Gujarat and Rs 49.2 crores in Maharashtra. Similarly the book points out that in regard to devolution of revenue from centrally pooled taxes, the complaint against the union government has not much substance, though there is a strong case for revising the scheme of division of financial resources between the centre and the states. Of course this does not mean that the centre is absolutely blameless. In regard to the refugee rehabilitation programme there was serious discrimination by the centre against migrants from East Pakistan relative to their counterparts from West Pakistan. The former did not get any compensation for properties left in East Pakistan while the latter were fairly well compensated. Also the centre has grossly neglected the great metropolitan city of Calcutta. Further, while equalisation of steel prices and subsidisation of coal prices have taken away much of the locational advantages enjoyed by the West Bengal industries, similar levelling of locational advantages with regard to cotton has not been attempted. All this leads to the conclusion that while demanding modifications and changes in certain policies and practices pursued by the union government affecting the state, West Bengal must also take a long and hard self-critical look. Merely bemoaning the centre's attitude at every turn is neither justifiable nor of much help.

The 'Strategy For Survival' is easily the most important part of the book. It should be noted that the present situation in West Bengal is the end-product of a number of physical, social and economic processes none of which can be expected to yield the desired result, if tackled in isolation. The book indicates some of the priorities and principal requirements. The steps suggested are improvement in agriculture to meet food requirements, remodelling of the presently surplus industrial capacity, improvements in small irrigation, drainage, communications and housing, thus affording employment to vast number of presently unemployed people in West Bengal, educational reforms by linking education with employment opportunities, a many-sided programme of mass communication for bringing about better awarness among people of the deep-rooted problems which the state is facing and an intensive effort to mobilise internal resources to raise the rate of investment and economic growth in the state. In all this, help of the central government and also of the World Bank may have to be taken. The book also suggests that a special authority should be constituted to deal with all these problems in a concerted and effective way.

So much is happening in West Bengal for so long and yet so little is known about all this to most of the Indians. It is therefore extremely gratifying that this excellent book has been brought out by the Bengal Chamber of Commerce and Industry analysing the problems of West Bengal and suggesting concrete steps to remove the ills from West Bengal and Calcutta where death appears to be lurking at the corner of every street. The Bengal Chamber has rendered a great national service by bringing out this book.

BUNDLE OF CONTRADICTIONS

The rate of economic growth depends largely on the rate of industrial growth which in turn depends to a very great extent on the efficient and effective management of the industrial resources available in a country. Dr Gosavi is of the opinion that management is a vital factor in economic development, a view long ago expressed by Schumpeter. He has made an attempt in his *Management Gap in a Developing Economy* to point out gaps in management in various Indian sectors such as marketing, finance, production and personnel and in industries in the public sector. In the light of his analysis he offers certain suggestions "to make government in business successful, to make co-operative sector more effective, to make educational effort more rewarding and to develop in workers everywhere a sense of belonging so as to build up sound industrial relations." The 13 'research' articles are supposed to have the above ambitious objective in view and therefore one begins to wade through the book with great expectations and hope.

Total Disillusionment

And what does one find? The very first article on 'Co-operation in a Developing Economy' gives the foretaste of the things to come. Any third rate book gives in a better way the characteristics of a developing economy. The author expects too much from co-operation with the inevitable consequent disillusionment. As regards the suggestion for improving co-operation, here is a gem: "The State should endeavour by all possible means to make co-operation based on an effort which must be integrated, co-ordinated and organic; and state assistance, participation and membership must be so adjusted as to retain the essential character of the co-operative movement as the people's movement, making the movement at the same time sound, strong and effective in action and results." At this stage the reader is tempted to lay off the book; but the reader persists, thanks to the brief foreword by S.L. Kirloskar. But the same superficial analysis continues, pages after pages, whether the topic is marketing or fiscal policy. Thus, while dealing with income-tax, the author pleads that progressive taxation being particularly pernicious in its effects, merits being abolished. Its incidence is "anti-social .." He further states that "liberal economic thinkers advocate the replacement of progressive taxation by a flat rate of income-tax applicable to all incomes above a minimum and are averse to the sadist theory of taxation." From where did he get all this knowledge? Apart from the colossal ignorance of the theory, the author seems to lack even the practical sense when he makes such astounding proposals.

His article on 'Institutional Financing in India' is of the same ilk and betrays the same lack of knowledge and analytical ability. What is most agonising is that the author appears to be even unaware of self-contradictions in which he frequently indulges. While he writes on page 26 that we must "adopt free market economic policies, which alone are capable of bringing about the most effective utilisation of savings", on page 44 he pleads for "a very posi-

tive role on the part of the state if costs of raising finance are not to go up", and on page 46 that "The public sector, in such economies has an important place.." Under the heading 'Criticism' the author has disposed of the criticism of the working of the state financial corporations in less than eight lines. Second rate books on Indian economy contain more valuable information and better analysis than what this research paper purports to do. The author appears to be even unaware of the contradiction when he writes that Indian public enterprises should become model employers and that they should also be run on business lines!

And thus the author goes on with his superficial analysis and slovenly style dealing with one topic after another. When literally cartload of books on practically every one of the aspects dealt by the author in this book are available in the market, one really fails to understand why the author published these pseudo research papers. They will certainly serve as model of how articles should not be written.

SCRAPPY AND SUPERFICIAL

Indian Industries — Development and Location is in its fourth edition. The book was first published in 1962.

After a scrappy description of the historical development and the present structure of Indian industries, the author has made an attempt to analyse some of the theories of industrial location. According to Weber who analysed the problems of industrial location as a systematic discipline, factors of location may be divided into regional factors (or primary causes) and agglomerating and deglomerating factors. The regional factors exert the greatest influence on industrial location. But as Prof. E.A.G. Robinson has pointed out, location of industries may be guided by factors other than economic. Motor car industry was started by Ford in Detroit because it was his hometown! It is obvious that the pure theory of industrial location as enunciated by Weber does not explain satisfactorily all the phenomena of industrial development.

Against this much too insufficient theoretical background, the author has tried to analyse the problems of location of most of the Indian industries — iron and steel industry (Burnpur, Jamshedpur, Rourkela, Bhadravati, Bhilai, Durgapur and Bokaro), aluminium industry (Asansol and Hirakud), copper, ship-building, automobile locomotives, machine tools, chemical and fertilier industry, glass industry and also paper, cement, rubber, cotton textile, jute, woollen, rayon, sugar, tea and so on. There may not be much of analysis, but the chapter contains a lot of useful information.

In the last chapter the author has discussed the problem of industrial location and regional planning. It is obvious that the method of developing industrial growth potential of each region may not be identical. Some regional factors connected with the physical landscape and geographical location cannot be altered; but there are others which can be influenced by raising levels of education and skill, development of power and application of science and technology. On this basis the author pleads that there must be a fair measure of dispersal of industrial activities so that various regions in India may have a significant share of industrial activities in the country.

While the book contains a lot of useful information, the theoretical analysis by the author is not sufficiently rigorous and the reader is in perpetual doubt as to whether the author has ever understood that scientific location of industries and regional planning of industries are two different things with different objectives and therefore are likely to clash with each other.

Problems of Small-Scale Industries

Laghu Udyog Annual 1970: Editor M. V. Panvalkar; Maharashtra Small Scale Industries Development Corparation. Ltd, 45, Veer Nariman Road, Bombay-1; Pp. 382, Price Rs 20 (Postage extra).

Reviewed by B. GANAPATHY SARMA

SMALL-SCALE industries have made phenomenal progress during the past two decades and its growth, especially since the commencement of the third Plan, has been nothing short of a revolution. Beginning with the production of simple and conventional items it has branched out more and more into highly specialised and sophisticated fields. Apart from contribution to economic growth, it is the socio-economic considerations such as diffusion of wealth and income, dispersal of industries and potential for absorption of surplus labour at a relatively small capital cost, which make it a singularly appropriate tool of economic development. Its further development will no doubt be a significant contribution to the solution of the problem of ever-increasing unployment.

The Maharashtra Small-Scale Industries Development Corporation (MSSIDC), in keeping with its progressive and dynamic outlook, has chosen quite pproprlately the theme "Development of Small-Scale industries in Developing and Developed Countries" as its topic for *Laghu Udyog Annual 1970* which incidentally is a subject of abiding and absorbing interest to developing countries which are on the threshold of progress. The theme is also highly topical and quite befitting considering its happy coincidence with the inauguration of the second Afro-Asian conference on small-scale industries which was held last month in the capital under the aegis of Small-Scale Industries Development Corporation.

This second number of the Annual attempts to present within a span of about 400 pages a telescopic view of the enchanting panorama of the highly diversified structure of the advanced countries, the underlying idea being to present two parallels in respect of origin, growth and achievements in two sets of countries, viz. developed and developing, and thus indirectly indicate the tasks ahead and the distance the developing countries have yet to go to achieve its goals.

The Number begins with a discussion on some of the basic and universal problems of the small-scale industries and proceeds to suggest some of the effective strategies that need to be adopted to tackle them successfully. The following section gives a broad outline of the progress made by the small industries in the advanced countries. The study though not exhaustive is still quite representative. It is gratifying to note that the small industry is looked upon as an important segment of the economy and even governments have taken special pains to give a proper shape to the relationship between the small and large industries, by legislative or executive action. Another noteworthy development in advanced countries is that small and large industries are functioning as partners in progress. No wonder therefore that small industries in developed countries are better managed and better equipped than their counterparts in developing countries. Moreover the emphasis in developed countries is increasingly more and more on management, production techniques, marketing, quality control and innovations.

The third section deals with the state of small-scale industries in developing countries. Here too though the picture

is incomplete, still it represents a cross-section of the Afro-Asian scene. After going through these case studies one is left with the impression that the developed countries are moving forward with definite strategies and programmes while developing countries are lacking almost in every respect—whether it is organisational structure or finance or technology. Moreover the efforts that are being made are not commensurate with their actual requirements. To a large extent this may be due to economic poverty and consequent lack of financial resources. But it is exactly here that the governments can step in and take corrective action to restore balance and give a sense of direction to the efforts that are being made.

The role of small industries in economic development, perhaps the most crucial one in this Annual Number, is dealt with in the fourth section. Dr Ram K. Vepa, a noted and keen observer of the Japanese scene, has listed in his articles ten different lessons that can be drawn from the Japanese example. Of course there is no simple solution or magic formula or short-cut which Japan or in fact any other country can offer to developing countries. The Japanese experience is an inspiring example providing conclusive proof that a high level of prosperity can be achieved by a judicious and harmonious blend of the traditional values of Asia and Africa with the dynamism and drive of the west. In the ultimate analysis the developing countries have to chalk out their own programmes and policies based on the conditions in their own country.

Some of the important aspects of promotional policies and programmes such as management, consulting services, collective action, and finance are discussed in the subsequent section and it is followed by a graphic description of all types of organizations which are directly and intimately concerned with the small-scale industry.

This Annual truly serves as a mouthpiece of the small-scale sector. It gives all vital information on the various and diverse aspects of the small industries in our country as well as in other developed and developing nations. Authentic information, meaningful documentation and thought-provoking contributions by eminent experts are the hallmark of this Annual edition. No doubt that this compendium will serve as an encyclopaedia to entrepreneurs and as a valuable and reliable guide to official and non-official agencies devoted to the cause of the development of the small industries.

Books Received

A Diplomatic History of Modern India: Charles H. Heimsath and Surjit Mansingh; Allied Publishers, 17, Chittaranjan Avenue, Calcutta-13; Pp 559; Price Rs 30.

The Making of India's Foreign Policy: J. Bandyopadhyaya; Allied Publishers; Pp 286; Price Rs 20.

State and Co-operative Development: Published by Allied Publishers Private Ltd; Pp 184; Price Rs 20.

The Impact of Excise Duty on Man-Made Textile Industry: J.G. Parikh and H.R. Aiyar; Published by Silk and Art Silk Mills Research Association: Pp 44.

Technical Fundamentals: Industrialalization, Planning, Financing in Developing Countries: Dr Habil Erhart Knauthe; Asia Publishing House: Pp 147.

Computer for All (Basic Fortran Programming): L.L. Bhirud; Somaiya Publications Pvt. Ltd; Pp 95; Price Rs 5.

National Programmes in Family Planning (Achievements and Problems): Edited by Bernard Berelson; Meenakshi Prakashan; Pp 319; Price Rs 30.

The Past Year in Retrospect (An objective Account of Political and Economic Events in India in 1969-70): Published by Indian Oxygen Ltd; P-34, Taratala Road, Calcutta-53; Pp 138.

ICA in South-East Asia—First Decade: Published by the International Co-operative Alliance Regional Office and Education Centre for South-East Asia, 43 Friends Colony, New Delhi-14; Pp 142; Price Rs 12.

Professor D.G. Karve Commemoration Volume: Published by the International Co-operative Alliance Regional Office and Education Centres for South-East Asia: Pp 284; Price Rs 50.

Theory and Practice of Banking: H.L. Bedi, G.S. Ayyar, A.P. Shenoy, H.P. Shenoy and N.V. Subramanian and published by them at 'Shri Sadan, Narayan Dabholkar Rd., Bombay-6; Pp 351; Price Rs 15.

State Finances in India (A case study): L.S. Porwal; Sultan Chand and Sons, 4792/23 Daryagang, Delhi-6; Pp237; Price Rs 25.

Foreign Exchange: Principles and Practice: K.K. Andley; Sultan Chand and Sons; Pp 342; Price Students Edition Rs 10; Library Deluxe Edition Rs 12.

Problems in Company Law: Praveen; Sultan Chand & Sons; Pp 55; Price Rs 1.50.

Modern Business Organisation and Management: Y.K. Bhushan; Sultan Chand and Sons; Pp 792; Price Vol I Rs 8; Vol II Rs 8, Vols I and II Rs 15.00.

The Stand-By Arrangements of the International Monetary Fund (A Commentary on their Formal, Legal and Financial Aspects): Joseph Gold; International Monetary Fund, Washington D.C. 20431, USA; Pp 295; $4.

A Handbook of Information on Public Enterprises: Published by the Bureau of Public Enterprises; Pp 273; Price Rs 12.

Economics of Cultivation and Marketing Cotton in Vidarbha: S.V. Khandelwal; Shyamkant S. Banhatti, Suvichar Prakashan Mandal, Dhantoli, Nagpur-1; Pp 188; Price Rs 10.

Selected Speeches of Indira Gandhi: Published by the Director, Publications Division, Ministry of Information and Broadcasting, Government of India, Patiala House, New Delhi-1; Pp 497; Price Rs 12.

Productivity (Special Issues — Maintenance Management and Engineering II; Editor V.S. Chopra; National Productivity Council, 38 Golf Links, New Delhi-3; Pp 344; Price Rs 5.

Handbook of Central Wage Boards' Recommendations (Part II): Published by the Employer ' Federation of India, 148, Mahatma Gandhi Road, Bombay-1; Pp 164; Price Rs. 8.

Worker Participation in Management: Published by the Employer' Federation of India; Pp 56; Price Rs 4.

COMPANY MEETING

BINNY LIMITED

CHAIRMAN'S SPEECH

Presiding at the Second Annual General Meeting of the Shareholders held at the Company's Office at Madras on Friday the 30th April 1971, Mr. M. K. Vellodi said :—

GENTLEMEN,

I am pleased to welcome you to the Second Annual General Meeting of Binny Limited.

As a result of the recent elections we have, at the Centre and in Madras, Governments with large and substantial majorities. These Governments, along with the other Governments in the Country, will soon be busy preparing plans for vast economic and social reforms. In the tasks that they have set for themselves, the Governments will have the solid support of all sections of the community including the Private Sector. It is, I hope, reasonable to expect that in the formulation of their plans the Governments will pay due regard to the problems and to the difficulties of all sections of the community.

The Directors' Report and Accounts for the year ended 31st December 1970 have been in your hands for the prescribed period and with your permission, I shall take them as read.

In my speech at the last Annual General Meeting I said that 1969 was a difficult year for your Company. Unfortunately 1970 has proved in the result even more difficult than 1969. I will refer to these matters later, but I should like to mention at this stage that the most serious problems that confronted your Company during the year were concerned with the Madras Mills. The unprecedented rise in the price of Indian Cotton and the sharp decline in labour productivity and efficiency from May till almost the end of the year and two illegal strikes had the result of aggravating an already difficult situation. It is not sufficiently recognised that strikes, apart from the substantial losses that they cause immediately, result in an aftermath of frustration and inefficiency which ordinarily takes a very long time to overcome. The losses due to the factors mentioned above alone were very substantial in the case of the Madras Mills and had a serious effect on the working results of the Company as a whole.

REVIEW

TEXTILES DIVISION

At the Annual General Meeting last year I mentioned that, barring unforseen circumstances, the improvement in profits noticed in the second half of 1969 and the first three months of 1970 would be maintained throughout the year. Unfortunately this did not happen. For one thing the increase in the price of Indian Cotton was far greater than could reasonably have been anticipated. Further, the Madras Mills had to change to a less profitable pattern of production than was anticipated earlier in the year in order to minimise stock increases. The results were also seriously affected by interruption of wool supplies to the Bangalore Mills in the second half of the year and the burden of the additional excise duty on polyester blended fabrics from March 1970.

The volume of production in the Madras and Bangalore Mills was higher than in the previous year due to additional loom shifts being worked in 1970. Turnover of the Madras and Bangalore Mill Units showed an overall increase of 11.6% over 1969, but the increase in the cost of production more than offset the advantages of the improved turnover. In this context the proposal to increase the production of controlled cloth, on which losses cannot be avoided, and to enhance the penalty for failure to produce the prescribed quantum of controlled cloth at a loss poses a serious threat to the working results of the Textiles Division. I trust that Government will not, so soon after relaxing the controls to some extent, and in the face of greatly increased cotton prices, re-impose the controls with greater severity.

It will be said that the increase in the price of cotton and artificial fibre and losses incidental to control are not features peculiar to our Mills. What then is the explanation for the rapid reduction in the profits of our Mills? To understand this it is necessary to have a full comprehension of the background against which the Company's present problems have arisen.

Binnys' textile interests, and the Madras Mills in particular, have built up their trade and reputation over many years' as suppliers of drills, suitings and casement cloths. These are coarse categories of cloth and the Mills are equipped principally for this purpose. Our capacity for manufacturing fine and superfine yarns in the Madras Mills is small.

Coarse cloths, which incidentally, with towels, another Indian Cotton quality, also account for the whole of the Company's considerable export trade, are made almost entirely of Indian Cotton. For so long as Indian Cotton prices remained at reasonable levels, this pattern of production continued to ensure the Company's prosperity. The decision to re-equip both Mills by replacing most of the very old looms with the best modern automatics was based on the then reasonable assumption that the Mills' traditional pattern of production would continue to be profitable. It involved increasing such production quite substantially and this has already been achieved.

In the late sixties Indian Cotton price rose, but not to such a degree as to cause the Company serious difficulties. In those years the principal problem in regard to the usage of Indian Cotton lay in the obligation to produce very large quantities of controlled cloth at prices fixed by Government which failed to take timely account of rising cotton prices.

If the very recent extraordinary increases in Indian Cotton prices could have been anticipated when the major investment decision was being considered, it might have been better to concentrate first on changing the Company's pattern of production to go substantially finer at the expense of the traditional drills, casement cloths etc. The fundamental and most serious problem facing the Company today arises from the fact that the increase of approximately 100% between Indian Cotton prices at the beginning of 1970 and at present has caused much of the Company's cotton textile production to become uneconomic.

We must find a solution to this problem as quickly as possible. As is clear from what I have said already the profitability of our Mills and the prosperity of the Company, which in a large measure depends upon such profitability, hinge on the availability in adequate quantity of Indian Cotton at reasonable prices. Ideally, therefore, we would like to see the Government of India putting its weight behind an urgent country-wide campaign for improving cotton yields so as to bring cotton prices down to reasonable levels. My predecessor and I have been appealing to Government to do this year after year in our speeches at these annual gatherings. I regret to have to say that

there is very little evidence of any effective steps having been taken in this direction. In the circumstances we clearly cannot afford to wait for the cotton grower, and the Mills must endeavour by every means in their power to reduce the incidence of Indian Cotton costs in the total cost of textile production.

During the year over a thousand new BAZ/BAZL Looms and wide width cloth processing machinery were installed and commissioned in the Madras and Bangalore Mills. It has not been possible to modernise fully the Carding, Spinning and Yarn Preparation Departments and in the process to go finer. Towards the end of the year the Marketing Departments of the two Mills were centralised and the centralisation of the Mill Purchases which started in 1969 was completed. A Planning and Market Research Cell has been established to support the sales efforts and the marketing operations. Overheads and inventory levels have been reduced or contained as far as possible.

During the year wide width terene blended suitings were introduced and were well received in the market. Certain varieties of popular cotton suitings were also converted to wide width.

Wool:

Present indications are that the wool supply position in 1971 will be better than in 1970. Consequently, it should be possible to maintain higher levels of Cotswol, Varsity and Angola which contribute to a better pattern of production in the Bangalore Mills.

Cotton:

It has been the practice at these meetings for the Chairman to devote a considerable part of his statement to problems connected with cotton. The main facts are well known, namely that the yield per acre of Indian Cotton is almost the lowest in the world and that very little has been done to improve it: and that the production of Indian cotton is increasingly falling short of the demand. There is not, perhaps, much that the Government of India can do about it except to exhort the Governments of the cotton producing States to take active measures for the increase of cotton production. The responsibility rests almost entirely on the cultivators of Indian Cotton and on the Governments of the States where cotton is produced. In this connection, I was very happy to read the statement in the Press some time back by the Director of the Indian Institute of Agricultural Research in Delhi that he was confident of a breakthrough in the production of cotton in the very near future. It was also encouraging to learn that the Agricultural University of Bangalore had been able to evolve a strain of hybrid cotton which is expected to produce a very much higher yield than existing strains of Indian Cotton. I trust that these efforts will be nourished and sustained by the Government of India and by the Governments of the States where cotton is largely produced and that in the near future there will be in respect of cotton the same remarkable improvement that we have witnessed in the case of such foodgrains as wheat and rice.

I do not propose to burden you with a lot of statistics. The 1970/1971 crop started with very good prospects, the initial estimate being 64 lakh bales. However, this was steadily scaled down on account of heavy damages to the crop caused by floods and unduly late rains in Maharashtra and Madhya Pradesh. The current official estimate of the crop is 51/52 lakh bales which is equivalent to 46/47 lakh standard bales of 180 kg. This is totally inadequate to meet the requirements of the Cotton Textile Industry. The result of this shortage was an unprecedented increase in prices—the rise being as high as 100% over the previous year.

Although there was a drop in the prices of cotton in February this year, prices are still approximately 50/60% higher than last year. Today Indian Cotton is the costliest in the world. According to present indications there will not be enough cotton to maintain production at current levels till the next cotton season.

Exports:

Export of cotton piece goods from India during 1970 declined marginally when compared with 1969. Nevertheless, your Company succeeded in increasing its exports by about 10.25%. Towards the end of the year the steep increase in the cotton prices affected exports which would have been higher if cotton prices had remained at reasonable levels. Unless prices of Indian Cotton come down to reasonable levels or imported supplies are made available exports are likely to decline steeply in 1971 despite the recent increase in export incentives.

Garment Factory:

I am glad to report that the Factory operated profitably during the year.

Several new styles and fancy designs in shirts, permanent crease trousers and fashion garments were introduced. The total sales for the year amounted to Rs. 111.57 lakhs, which represent an increase of 10.6% over the previous year. Exports increased to Rs. 22.59 lakhs.

ENGINEERING DIVISION

Madras Works:

There was substantial improvement in the performance of the Madras Works from 1969 to 1970 notwithstanding the severe shortage and high price of steel.

Mechanisation and modernisation of the Foundary made good progress and the installation of the electric furnace which began in 1970 was completed in February this year. The electric furnace will enable the Foundry to produce more sophisticated castings and will be a valuable aid to the better performance of the Works.

Manufacture of Binny/Satake Rice Mills progressed satisfactorily. Rice Millers all over India have begun to show interest in Binny/Satake Rice Mills. I am glad to inform you that the first Mill which was installed during the year is operating satisfactorily in Uttar Pradesh. A demonstration mill has been set up in Madras.

The Ship Repair Department operarated particularly well: for the first time it won a contract for survey of oil tankers for the Madras Refineries Limited. This contract has been renewed in 1971.

Giovanola-Binny Ltd.—Subsidiary

Although an industrial licence to build small ships was secured in 1969 it has not so far been possible to undertake a significant amount of ship buildwork, mainly on account of shortage of steel plate. The application for a licence to manufacture pressure vessels is till pending with Government, and manufacture was therefore possible only to the permissible extent of diversification under the 25% rule. Under this rule the Company is permitted to diversify to the extent of 25% of the licensed capacity by value. I hope the licence which has been under consideration by Government for more than a year will be granted without further delay.

The results of the Company for 1970 were disappointing mainly on account of the closure of the Works for three months following prolonged labour indiscipline, an illegal strike and very low productivity during the best part of the year. Although a settlement was reached with labour in October 1970 providing an incentive scheme which can improve productivity and increase the earnings of the workers, efficiency has not yet reached optimum levels. Unless labour appreciates the need and the obligation to improve efficiency and productivity to optimum levels rapidly, and also work towards that end, the Company cannot hope to return to profitability. I wish to impress on labour the urgent necessity of maintaining uninterrupted and efficient work in return for the comparatively high wages and good working conditions which they enjoy.

The order book is better than it has ever been in the past. However, the order book alone cannot ensure profitability and productivity and effi-

ciency must show a substantial improvement very quickly.

TRADING AND AGENCY DIVISION

The Handloom Textiles Department continued to maintain its progress in turnover and margins. The wide variety offered by the department in cotton, wool and silk fabrics maintained and even improved the great propularity of 'BINTEX' products.

The Engineering and Agencies Department increased its turnover by 50% over 1969. During the year the distributorship for South India for English Electric Products which was terminated in 1969 was again offered and secured. Several new agencies secured during the year are expected to produce improved results in 1971 and subsequent years.

The Steamer and Travel Departments made good progress. However, the Stevedoring Department's performance was adversely affected by the reduction in import of foodgrains and fertilisers.

I am confident the prospects of the Trading and Agency Division are good and I feel sure this Division will continue to make a valuable contribution to the profits of the Company.

LABOUR

Relations between Labour and Management were very cordial and satisfactory in all units of the Company except the Madras Mills.

In the Madras Mills labour efficiencies reached in the first four months of the year declined sharply from May following demands by labour. Consequently additional loom shifts, which increased the cost of production, had to be operated to maintain the volume of production. In addition there was an illegal strike for seven days in June during the course of conciliation proceedings. Although the demands made by labour were referred to arbitration immediately on resumption of work, efficiencies and productivity are still below the levels attained in the first four months of 1970.

There was also an illegal strike for four days by the clerical staff in February 1970 as a result of which work in the Mills was dislocated considerably.

The adverse effect of these strikes and loss of efficiency on the working results was substantial.

Absenteeism continued at high levels during the year. Last year I said absenteeism among regular workers in the Madras and Bangalore Mill Units was 15.36% and 13% respectively. In 1970 absenteeism increased to 15.87% in the Madras Mills but decreased to 11.39% in the Bangalore Mills. Absence from work on medical grounds certified by the E.S.I. Medical Officers was also high in both Mills. This is yet another intractable problem confronting your Company.

The Cost of Living Index showed a steep rise in all centres of your Company's operations. The magnitude of this problem can be appreciated when it is realised that the additional Dearness Allowance paid in 1970 solely on account of the rise in the Cost of Living Index exceeded Rs. 63 lakhs. There was no return for this financial outlay in the form of better work or otherwise. I see no solution to this problem unless all wages, including Dearness Allowance are in some form or other linked to productivity. Failing such linkage the abnormal rise in prices as reflected in the Cost of Living Indices is likely to create even more serious problems for the Industry.

Notwithstanding the adverse working results and the all round rise in costs, your Company continued to maintain the various welfare measures for the workers in all the Units.

FINANCE DIVISION

Financial Information:

I had mentioned last year that higher working capital requirements and implementation of modernisation schemes increased the pressure on the Company's liquid resources. The adverse working results as evidenced by a steep decline in gross profits from Rs. 175.00 lakhs to Rs. 12.00 lakhs, and higher raw material costs imposed a very heavy drain on the liquid resources during the year. The stringent measures towards selective control on Bank Credit, coupled with higher interest rates added to the difficulties in management of cash resources. Notwithstanding these difficulties, the Company will press on with its plans for diversification and development to maintain and improve its financial position which is basically sound.

Dividends:

Having regard to the adverse results of the Company as shown by the accounts, your Directors have not considered it appropriate to recommend an Equity Dividend for 1970.

FUTURE PROSPECTS

Future profitability lies in improving the working of the Textiles Division, especially the Madras Mills. This will primarily involve reducing the overwhelming dependence on coarse fabrics which are unlikely to become remunerative in the forseeable future. Capital investment in a phased manner to improve the product range, intensified marketing effort and further improvement in the proportion of direct to indirect labour are some of the matters engaging the attention of your Directors. I am confident that given co-operation by all concerned the Company will overcome its present difficulties.

ACKNOWLEDGEMENTS

Although 1970 was a very disappointing year from the point of view of results, I would be failing in my duty if I do not on your behalf and mine compliment all Officers, Staff and Employees of your Company for the devoted manner in which they worked to meet the many difficult problems that confronted the Company. I know I may count on their loyal and determined support in the future.

My Colleagues Mr E.W.D. Jeffares, Mr R.B. Kernick and Mr P.G.V. Mercer retired since the last Annual General Meeting. Mr Jeffares retired in April 1971 after serving the Binny Group for 31 years during which period he was, apart from being Wholetime Director and Managing Director, Chairman of the Goup Companies until I took over from him in November 1969 on amalgamation of the Binny Group of Companies. Mr Kernick retired in November 1970 on medical advice after serving the Binny Group for 25 years. Mr Mercer retired in April 1971 after serving the Binny Group for 19 years. I would like to place on record our appreciation of the valuable services rendered by Mr. Jeffares, Mr Kernick and Mr Mercer and wish them many years of happy retirement.

On Mr. Kernick's retirement, Mr N.S. Bhat was appointed as Managing Director with effect from 18th December, 1970. On Mr Jeffares' retirement, Mr Bhat took over from him as Managing Director and Chief Executive of the Company. Mr B.K.P. Rao and Mr A. Venugopal were appointed as Directors of the Company with effect from 1st January 1971. I would like to extend my good wishes to them for the success in the new assignments which they have undertaken.

In conclusion I would like to express my appreciation of the help and support I have received from all my Colleagues on the Board throughout the year.

I should like to end my speech on a personal note. The period of my chairmanship of the Company will end at the end of December this year. I shall not, therefore have the pleasure of speaking to you at the next Annual General Meeting. I should, therefore like to take this opportunity to thank you all for having given me the fullest co-operation during my term of office as Chairman.

I do not believe that there are many among you who know that I started life as an unpaid apprentice in your Company and though about half a century has separated those years from the date on which I joined the Company as a Director—years during which I served the Government— I am glad that the closing years of my active life have been associated with the work of your Company first as a Director and then as Chairman, positions that I have been privileged to occupy. I could not have wished for a better ending for an active life.

Note: *This Document does not purport to be a report of the Proceedings of the General Meeting.*

RECORDS AND STATISTICS

Union Cabinet Reshuffle

THE STRENGTH of the union Council of Ministers has been raised from 36 to 55 with the addition of 19 new members in the last few days. Of the new entrants, two Ministers—Mr C. Subramaniam and Mr Uma Shankar Dikshit—are of cabinet rank. Five new Ministers of States have been added. They are Mr H. N. Bahuguna, Mr Shah Nawaz Khan, Prof D. P. Chattopadhyaya, Mr Ghanshyam Oza and Mr Mohan Dharia. Two former Deputy Ministers—Dr Sarojini Mahishi and Mr K. R. Ganesh—have been promoted to the rank of Minister of State. There are 12 additions to the ranks of Deputy Ministers.

The portfolios of several ministers have also been changed. The following is the complete list of the members of the union Council of Ministers along with their portfolios.

Members of the Cabinet

(1) Mrs Indira Gandhi	Prime Minister, Minister of Atomic Energy, Minister of Home Affairs & Minister of Information & Broadcasting.
(2) Mr Fakhruddin Ali Ahmed	Minister of Agriculture.
(3) Mr Y. B. Chavan	Minister of Finance.
(4) Mr Jagjiwan Ram	Minister of Defence.
(5) Mr Swaran Singh	Minister of External Affairs.
(6) Mr K. Hanumanthaiya.	Minister of Railways.
(7) Dr Karan Singh	Minister of Tourism and Civil Aviation.
(8) Mr Raj Bahadur	Minister of Parliamentary Affairs and Shipping & Transport.
(9) Mr Moinul Haq Chaudhuri	Minister of Industrial Development.
(10) Mr Sidhartha Shankar Ray	Minister of Education and Social Welfare (in charge of Department of Culture also)
(11) Mr H. R. Gokhale	Minister of Law and Justice.
(12) Mr S. Mohan Kumaramangalam	Minister of Steel and Mines.
(13) Mr K. K. Shah	Minister of Health and Family Planning.
(14) Mr C. Subramaniam	Minister of Planning and concurrently in charge of the Department of Science and Technology.
(15) Mr Uma Shankar Dikshit	Minister of Works and Housing.

Ministers of State

(1) Dr K. L. Rao	Minister of Irrigation & Power.
(2) Mr L. N. Mishra	Minister of Foreign Trade.
(3) Mr R. K. Khadilkar	Minister of Labour and Rehabilitation.
(4) Mr K. V. Raghunath Reddy .	Minister of Company Affairs.
(5) Mr D. R. Chavan	Minister of Supply.
(6) Mr P. C. Sethi	Minister of Petroleum and Chemicals.
(7) Mr H. N. Bahuguna	Minister of Communications.
(8) Mr I. K. Gujral	Minister of State in the Ministry of Works and Housing.
(9) Prof Sher Singh	Minister of State in the Ministry of Agriculture.
(10) Mr Nitiraj Singh Chaudhuri	Minister of State in the Ministry of Law and Justice.
(11) Mr Om Mehta	Minister of State in the Department of Parliamentary Affairs and the Ministry of Shipping and Transport.
(12) Mr Ram Niwas Mirdha	Minister of State in the Ministry of Home Affairs and in the Department of Personnel.
(13) Mr K. C. Pant	Minister of State in the Ministry of Home Affairs (He will also assist the Prime Minister in parliamentary work relating to the Departments of Atomic Energy & Electronics.)
(14) Mrs Nandini Satpathy	Minister of State in the Ministry of Information and Broadcasting.
(15) Mr V. C. Shukla	Minister of State (Defence Production) in the Ministry of Defence.
(16) Mr Annasaheb P. Shinde.	Minister of State in the Ministry of Agriculture.
(17) Mr K. R. Ganesh	Minister of State in the Ministry of Finance.
(18) Mr Shah Nawaz Khan	Minister of State in the Ministry of Steel and Mines.
(19) Prof D. P. Chattopadhyaya.	Minister of State in the Ministry of Health & Family Planning.
(20) Mr Ghanshyam Oza	Minister of State in the Ministry of Industrial Development.
(21) Mr Mohan Dharia	Minister of State in the Ministry of Planning.
(22) Dr Sarojini Mahishi	Minister of State in the Ministry of Tourism & Civil Aviation.

Deputy Ministers

(1) Mr A. K. Kisku	Deputy Minister in the Ministry of Health & Family Planning.
(2) Mr Jagannath Pahadia	Deputy Minister in the Ministry of Agriculture.
(3) Mr Mohd. Shafi Qureshi	Deputy Minister in the Ministry of Railways.
(4) Mr. K.S. Ramaswamy	Deputy Minister in the Ministry of Education & Social Welfare.
(5) Mr Sidheshwar Prasad	Deputy Minister in the Ministry of Industrial Development.
(6) Mr Surendra Pal Singh	Deputy Minister in the Ministry of External Affairs.
(7) Mr B. Shankaranand	Deputy Minister in the Department of Parliamentary Affairs.
(8) Mr Kedar Nath Singh	Deputy Minister in the Department of Parliamentary Affairs.
(9) Mr Bedabrata Barua	Deputy Minister in the Department of Company Affairs.
(10) Prof. D. P. Yadav	Deputy Minister in the Ministry of Education & Social Welfare.
(11) Mr Balgovind Verma	Deputy Minister in the Ministry of Labour and Rehabilitation.
(12) Mr Dalbir Singh	Deputy Minister in the Ministry of Petroleum and Chemicals.
(13) Mr Baijnath Kureel	Deputy Minister in the Ministry of Irrigation and Power.
(14) Mr Dharamvir Singh	Deputy Minister in the Ministry of Information and Broadcasting.
(15) Mr Kartik Oraon	Deputy Minister in the Ministry of Communications.
(16) Mr A. C. George	Deputy Minister in the Ministry of Foreign Trade.
(17) Mrs Sushila Rohatgi	Deputy Minister in the Ministry of Finance.
(18) Mr F. H. Mohsin	Deputy Minister in the Ministry of Home Affairs.

Import Policy: 1971-72

THE IMPORT policy for the current financial year was announced on April 30. The policy is claimed to be an attempt on the part of the union Ministry of Foreign Trade to fulfil the promises made by the ruling party at the time of the mid-term poll.

According to an official spokesman, the policy endeavours to give greater meaning and purpose to various controls and restrictions being imposed in the interest of promoting exports, reducing imports and general strengthening of the industrial base of the country's economy.

The main features of the policy are:

1. The role of the public sector agencies in imports has been further expanded. The STC and the MMTC will also organise bulk imports of raw materials for sale to manufacturers.

2. More facilities have been provided for accelerating export production and export capabilities.

3. The concept pertaining to 'export houses' has been further enlarged. Export houses and registered exporters will receive special facilities for stepping up exports.

4. The policy of need-based licensing of raw material imports will continue to be followed for meeting the requirements of priority industries.

5. Import licences for raw materials to the units engaged in the non-priority, industries, whether in the large or small-scale sector, will be issued on an annual basis. Even in the case of priority industries, applications for raw material imports for a period exceeding six months will be entertained in respect of items for which there is a world-wide shortage.

6. Units engaged in priority industries, whether in the large or the small-scale sector, will be able to claim import licences for spare parts on repeat basis automatically without their applications being routed through the sponsoring authorities.

7. Small-scale industries will have more liberal facilities for imports of raw materials than before. Additional allocation to the extent of 50 per cent in respect of non-ferrous metals will be made to small-scale units over and above their previous entitlements.

8. Special facilities have been provided for setting up small-scale industries in backward areas. Qualified engineers and ex-service personnel will also have added opportunities to establish new industries.

9. Special assistance will be given to engineering units particularly those in West Bengal, which have had to close down in the recent past.

10. More facilities have been provided for import of essential goods by hospitals, medical institutions, research and analytical laboratories, doctors and individuals for their own use.

11. For the first time, a maximum value limit has been fixed for quota licences to be issued to established importers. A part of the foreign exchange saved in the process will be used for raising the minimum value of quota licences to small importers to make their imports more economical.

12. Imports will be reduced in respect of items for which indigenous production has been developed. Exporters will, however, be given special import facilities required for export production.

Imports through Public Sector

Fifty-one additional items have been added to the list of imports canalised through the public sector agencies (Appendix I). With the addition of these items, the list of canalised imports will cover 112 items. On this basis, the public sector agencies will handle about 70 per cent of the total imports by March, 1972.

The STC and the MMTC will also be organising bulk imports of certain raw materials for sale to actual users and registered exports. The Industrial Raw Materials Assistance Centre (IRMAC) set up last year is being further strengthened to act as an indenting house and to undertake bulk import

These agencies will work in close cooperation with the trade and industry in order to ensure that adequate raw materials are made available to them off-the-shelf.

Registered exporters will continue to be allowed to transfer their import replenishment licences in favour of the STC/MMTC.

The sale prices in respect of goods imported by the canalising agencies will continue to be determined by these agencies subject to the overall control of the Ministry of Foreign Trade. Preferential treatment will be accorded to exporting units in the matter of sale prices.

The STC and the MMTC will further expand their developmental role to strengthen the export effort by providing assistance in finance, marketing and general services to exporters.

Export Houses

The scheme for the grant of facilities to export houses has been made more broad-based. The scheme which was hitherto applicable to the merchandising 'export houses' has been extended to the manufacturing export houses also subject to certain conditions. For certain import benefits, the exports of non-traditional products other than those specified will also be taken into account for granting eligibility to export houses.

The provisions regarding grant of initial import licences to eligible export houses to enable them to build up ready stocks of imported materials have been liberalised. The exports of items covered by two additional product groups, namely, ready-made garments and natural silk fabrics and made up articles thereof, will also be taken into account in determining the eligibility for an 'export house', and for determining the value of the initial import licence given to an import house. Additionally, supplementary (initial) licences will be issued to eligible export houses which increase their exports by more than 10 per cent over the exports of the preceding year, in proportion to the increase in exports recorded.

Eligible export houses will continue to have the existing import facilities to enable them to organise production according to export needs, to arrange for bulk imports on behalf of actual users, and also of operating the licences issued to actual users without obtaining letters of authority from the licensing office.

Registered Exporters

Imports facilities to registered exporters will be further liberalised. Apart from the existing facility to replenish the import content of their exports from the most preferred sources of supply, the important new features of this policy are as follows:—

(i) **Utilisation of Import Replenishment**: (a) To enable the exporters to

diversify their export production and improve the quality of exportable products, import may be allowed, within specified value limits, even in respect of raw materials (required for export production) which are not normally permissible for import. (b) The value limit for import of restricted items on the basis of A.U. licences has been raised from Rs 20,000 to Rs 40,000. (c) The facility for import of permissible spares upto 25 per cent of the licence value for five per cent of the f.o.b, value of exports, whichever is higher, has been liberalised by raising the limit for import of a single item of restricted spares from Rs 1,000 to Rs 2,000. (d) In addition to other office equipment already allowed to exporters with an annual export performance of more than Rs 50 lakhs, import of one dictaphone upto Rs 3,500 will also be permitted. (e) The value limit of Rs 1,000 for import of photo-copying paper has been raised to Rs 2,000 in the case of exporters with an annual export performance of more than Rs 50 lakhs.

(ii) **Grant of 'On Account' Licences**: (a) The scope for allowing imports of items against 'on account' licences has been enlarged to include items permissible in respect of registered exporters as well as actual users. (b) No adjustment will be made for half of the value of the first 'on account' licence in the case of manufacturer-exporters who improve their export performance by at least 10 per cent over the previous year's level. This facility has also been extended to 'Imprest' licence holders.

(iii) **Simplification of Procedures**: (a) Exports made for a period of six months prior to the date of application for registration, as against three months at present, will qualify for export assistance. (b) The time limit for submission of applications for import replenishment licences has been extended from two to three months. (c) The provisions for imposing cuts on the import entitlements on account of delays in the submission of import applications have been substantially relaxed. There will be no cut in cases where applications are submitted within a period of six months from the last month of export. A token cut of five per cent will be imposed in cases where applications are received after six months but not later than 12 months. Applications received after 12 months but not later than 18 months will be subject to a cut of 10 per cent. (d) Exporters of components/accessories of textile machinery, surgical instruments, motor vehicle parts and ready-made garments will henceforth be required to get themselves registered only with one of the registering authorities concerned and not with more than one authority as at present. (e) Exporters of gems and jewellery have been allowed to apply for import replenishment licences to the licensing authorities directly, and not through the Gems and Jewellery Export Promotion Council.

Actual Users:

(i) **Facilities to Exporters**: (a) Industrial units in the priority sector exporting 10 per cent or more of their production will be eligible to preferred sources of supply and facilities for expansion of export production. Units which export 25 per cent or more of their production will receive substantially greater preference. In the small-scale sector, such units will obtain their full requirements in free foreign exchange. (b) Units in the non-priority sector having similar export performance will be treated as priority units, given the same preference in regard to the sources of supply and for expansion of production, and receive all the facilities normally given to priority units.

(ii) **Compulsory Exports for Certain Priority Industries**: A few industries as mentioned in Appendix 10 of the Red Book (Vol. I) have been selected from the priority list for their export potential. Units in these industries, failing to export five per cent of their production, will be liable to a cut in their import licences, apart from losing the facilities of preferred sources of supply and expansion of production capacity.

iii) **Micro Approach**: The Trade Development Authority, recently set up by the Ministry of Foreign Trade, will offer assistance to individual industrial manufacturers and exporters by discussing with them their problems and rendering marketing, merchandising and financial advice.

(iv) **Domestic Production: Need-based Policy for Priority Industries**: The import requirements of 59 priority industries will be met as before, subject to availability of foreign exchange.

(v) **Spare-Parts Imports**: (a) Actual users, both in the large and small-scale sectors, have been allowed to apply for import of spare parts on a repeat basis without the import applications being routed through the sponsoring authorities. (b) Value limits for import of restricted items of spare parts by actual users, have been increased, (c) Small-scale units will be granted import licences for a comparatively higher value than in the past.

(vi) **Non-Priority Industries**: Import licences to units engaged in these industries will be issued on an annual basis.

Small Scale Industries

Special assitance is to be provided to Small-Scale industries. The steps envisaged are:

(i) The requiremens of small-scale units set up in the priority sector for imported raw manterials and components will be considered having regard to the assessment made by a team representing the Development Commissioner (Small-Scale Industries), the State Director of Industries and the Federation of Associations of Small Industries, and after approval by a Special Committee set up under the Chief Controller of Imports and Exports.

(ii) The entitlement of small-scale units to non-ferrous metals will be enhanced by 50 per cent.

(iii) The modes of financing against which import licences for raw materials and components will be issued to small-scale units will be more favourable than before. In their case, the first Rs 5,000 of their import entitlement will be received against free foreign exchange. Also, in the case of units whose import entitlement works out to an amount not more than Rs 50,000, licences will be issued against preferred sources of financing irrespective of their export performance..

(iv) In addition to the normal import entitlements of small-scale units, supplementary imports will be made by the STC to meet the requirements of units engaged in the manufacture of chemicals, dyestuffs and plastic goods.

(v) A simplified procedure will be followed for considering applications from small-scale units for import of machinery valued up to Rs 12,000.

Backward Areas

Special consideration is to be given to the requirements of the industrial units being set up in backward areas. The steps being taken are:

(i) Preferential treatment will be accorded in the matter of import of machinery and raw materials to small-scale units proposed to be set up in backward areas.

(ii) Indian nationals returning from abroad and intending to set up small-scale industries in backward areas will be allowed to import machinery purchased out of their funds abroad.

Qualified Engineers

Special facilities are to be provided to meet the requirements of qualified en-

gineers/ex-service personnel who want to set up industries. These are: (i) preferential treatment will be accorded in the matter of import of machinery and raw materials to small-scale units set up by qualified engineers and ex-service personnel; (ii) qualified Indian engineers returning from abroad and intending to set up small-scale industries in any part of India, will be allowed to import machinery purchased out of their funds abroad.

Closed Engineering Units

Special facilities are proposed to be afforded to the closed engineering units in West Bengal, to enable them to start their production again. Advance allocation of imported raw materials will be made to such units.

Facilities for Development and Research Acitivities: (i) A separate foreign exchange ceiling has been set apart for meeting the import requirements of industrial units for their research and developmental activities. (ii) Import licences for raw materials and spare parts will be granted to the special research units recognised by the Departpartment of Industrial Development. (iii) The value limit for import of bonafide technical and trade samples under the Open General Licence has been raised from Rs 800 to Rs 1,000.

Imports by Hospitals and Medical Institutions

Hospitals and medical institutions will be able to import, without import licences, drugs and medicines not exceeding Rs 1,000 in value at a time. They will also be able to import, without import licences, surgical, optical and dental instruments, apparatus and appliances and dental materials not exceeding Rs 2,000 in value at a time. No import licences will as well be required to be taken by hospitals and medical institutions for importing life saving equipment like pace-maker for heart. They will further be able to import spare parts of medical, surgical, optical and dental equipment, without import licences, provided the value of such imports does not exceed Rs 2,000 in the course of a financial year.

Imports by Doctors: (i) Registered medical practitioners will be allowed to import, without import licences, medical, surgical, optical and dental instruments, apparatus and appliances and dental materials of a value not exceeding Rs 1,000 at a time.

(ii) Registered medical practitioners intending to start practice in a rural area will be given special consideration for import of equipment required for their professional use.

Special Facilities to Individuals

Individuals requiring certain imported goods for their personal use have been allowed to import such goods without licences, as indicated below:—

(i) A person having an imported agricultural tractor for his own use will be allowed to import spare parts of the tractor upto a value of Rs 1,250 in the course of a financial year.

(ii) An individual can import drugs and medicines of a value not exceeding Rs 200 at a time.

(iii) An individual can import a life saving equipment like pace-maker for heart.

(iv) An individual can import technical and scientific books of a value not exceeding Rs 500 at a time.

(v) An artist can import artist materials for a value not exceeding Rs 150 at a time.

Open General Licence

The import of certain essential raw materials required by industry will continue to be on OGL. A list of these items is given in Appendix II.

Film Industry

The films industry has been provided the following facilities:

(i) Imported colour raw stock will be released upto a specified extent to exporters of black and white films.

(ii) The export obligation against release of imported colour raw stock has been reduced from 180 per cent to to 150 per cent of the c.i.f. value of colour raw stock released.

Items on Banned List

In view of the growing volume and quality of indigenous production, 170 items have been taken off the permissible list. These include certain types of ball bearings, taper roller bearings, machine tools, textile machinery accessories, drugs and medicines and chemicals, certain items of garage tools, and some parts of electro-medical apparatus. The complete list of these items is given in Appendix III.

Reduced Imports

Sixty-seven items which were hitherto allowed to actual users without restriction, will now be permitted only on a restricted basis. These include certain types of ball bearings, drugs and medicines, chemicals, and dyes intermediaates. The complete list of these items is given in Appendix IV.

The quotas of established importers have been reduced as follows:

(i) In respect of 23 items, the quotas for established importers have been reduced. These include spare parts of various equipment, drugs and medicines, motor vehicles parts, garage tools and instruments. A list of these items is given in Appendix V.

(ii) In respect of certain items, a maximum value limit of Rs 4 lakhs has been fixed for issuing quota licences to established importers. A part of the foreign exchange saving accruing from this restriction has been used by raising the minimum value of quota licences issued to small established importers from Rs 1,000 to Rs 1,250 so as to make their imports more economical.

Procedural Simplifications

The following procedural changes have been made in the new policy:

(i) With a view to eliminating delays in the grant of import licences, the existing procedures are being reviewed and will be further streamlined.

(ii) Import licences for raw materials and components issued to the actual users and registered exporters will have an enhanced validity period of 18 months instead of 12 months as at present.

(iii) The appeal procedure has also been simplified.

Price Stabilisation

Apart from the various provisions in the import policy calculated to increase production, a flexible approach will continue to be adopted with a view to permitting imports in areas and sectors where there are sudden and unanticipated shortages, as for instance arising from an unexpected shortfall in domestic production.

APPENDIX I

List of New Items, the Import of which is canalised throgh the Public Sector Agencies during the licensing period April 1971-March 1972

Part-I

43-A—Lead ingot, pig and scrap; 44(a)—Zinc or spelter unwrought in the form of ingots, cake, tiles and slabs; 44 (c)—Zinc granulations and dust.

Part II

3—Raw manila hemp (fibre); 5—Raw sisal fibre; 13—Aluinium (E.C. Grade);

41-A—Graphite electrodes; 41-A—Graphite anodes.

Part III

1-B—Benzidinedi hydrochloride; 1B— Napthionic acid, Sodium Naphthionate; 1-B—Beta Naphthol.

Part IV

48—Gum arabic; 87, 109—Erythromycine, its salts and esters; 127-129 — Peppermint oil; 127-129—Citronella oil; 150—Synthetic rubber; 177—Polyester filament yarn; 237-238—Refractories and refractory material; 337 —Empty hard gelatine capsules.

Part V

14—High grade manganese ore; 14—Antimony ore; 14—Tungsten ore; 20—Base lubricating oils; 22, 31—Endrin (insecticide); 22, 31—Octanol/Iso-Octanol/2-Ethyl-hexanol; 22, 31—Phthalic anhydride; 22, 31—Vinyl chloride; 22, 31—Nitrocellulose chips/ Nitro-cellulose other than 15-20 seconds viscosity; 22, 31 — Caprolactum; 22, 31—DMT 22,31—Sodium Borate; 22, 31—Iodine; 22, 31—Potassium Chloride (industrial grade); 22, 31 — Methanol technical; 22, 31—Citric acid. 22, 31—Pyridine base and Pyridine technical; 26—Soda ash; 43—Rayon grade wood pulp; 101— Cellulose acetate flakes/sheets/ films; 101-A—Cellulose acetate butyrate and celleulose acetate propionate; 122 (ii)—Fluorspar (acid grade).

Iron and Steel and Ferro-Alloy Items

Ferro-tungsten; Ferro-Molybdenum; Ferro-Vanadium; Ferro-Silicon; All mild steel, high carbon and alloy steel (other than stainless steel) wire rods in coils; All mild steel and high carbon steel semis, including ingots, blooms, slabs and billets; Stainless steel sheets, plates and strips in cut length or in coils; Cold rolled grain oriented electrical steel sheets; All mild steel sheets, strips and skelp in cut length or in coils, both hot rolled or cold rolled; Heavy melting scrap and sponge iron, metallised iron ore and pellets for electric arc furnaces.

APPENDIX-II

List of Items the Import of which is allowed under Open General Licence During April 1971-March 1972 (Up to 30th September, 1971)

43/IV—Wattle extract; 44/IV—Wattle bark; 45/IV—Bark for tanning excluding wattle bark; 143 (c)/IV—Pickled hides, skins, pelts, splits and parts thereof; 144(a)/IV—Hides and skins, raw or salted, where the value of hides and skins is more than that of wool/hair thereon; 9/V—Quebracho extract, Chestnut extract and Modified Eucalyptus extract (Myrtan)..

APPENDIX-III

List of items taken off the permissible list

Part I

17(ii)(d)—

Pipes and tubes conforming to ISI specification 1239 or equivalent, the following: (1) Welded steel pipes and tubes of sizes 15 mm to 150 mm nominal bore.

(2) Seamless:

Category	Outside dia.	Thickness
(a) Hot finished	115 mm to 165 mm	5 mm to 15 mm
(b) Cold drawn	90 mm to 140 mm	4 mm to 10 10 mm

17 (e)

Mild steel tubes, the following:—

Category	Outside diameter	Thickeness
Butt welded tubes	15 mm to 150 mm nominal bore	2 mm to 5.4 mm

17(f)

Seamless carbon steel steel pipes and and tubes, the following:

Category	Outside diameter	Thickness
(1) Hot finied.	115 mm to 165 mm	5 mm to 15 mm
(2) Cold drawn	90 mm to 140 mm	4 mm to 10 mm

17 (iv) (a) and (b)

Carbon steel discs and rings of all sizes upto 250 mm.

28—Rear axle housing: 38-A (a) and (b) —M.S. Roller Chains of the following sizes:

6x2.8 mm Simplex, Duplex and Triplex; 8x1/8" (3.175 mm) Simplex, Duplex and Triplex; 3x12.7 mmx7.75 mm (1/2"x5/16") Triplex chain; 2x12.7 mm x3.3 mm (1/2"x1/8") Duplex chain; 2x12.7 mm x 7.55 mm (1/2"x5/16") Duplex chain; 2x12.7 mm x 4.88 mm (1/2" x 3/16") Duplex chain; 1x12.7 mmx6.48 mm (1/2" 1/4") Simplex; 1x15.876 mm x 4.88 mm (5/8"x3/16") Simplex; 1x15.875 mm x 6.48 mm (5/8-x1/4") Simplex; 2x15.875 mmx 9.65 mm (5/8" x 3/8") Duplex; 3x 15.875 mmx9.65 mm (5/8"x3/8") Triplex; 1x19.05 mm x 11.68 mm (3/4"x 7/16") Simplex; 2x19.05 mmx11.68 mm (3/4" x 7/16") Duplex; 3x19.05 mm x 11.68 mm (2/4"x7/16") Triplex; 1x 9.525 mmx4.88 mm (3/8" x 3/16") Simplex; 2 x 9.525 mm x 4.88 mm (3/8" x 3/16") Duplex; 1 x 15.875 mm x 11.68 mm (5/8" x 7/16") Simplex; 44.45 mm (1.3/4" Pitch)—Simplex, Duplex and Triplex; 63.5 mm (2 1/2" Pitch)—Simplex, Duplex and Triplex.

Special chains and parts thereof, the following: (a) Bush chains; (b) Bent link chains; (c) Hollow pin chains; (d) Roller chains for agricultural machchinery; (e) Bottle carrying chains; (f) Conveyor chains.

46 (c)—Cold rolled phosphor bronze rods other than those of sizes above 2" or 50 mm dia sq.; Phospher bronze wire and tombac wires other than the following—Phsopher bronze wire and tombac wire thinner than 30 SWG for manufacture of Foundvinier wire cloth.

Part II

12—Aluminium wire rods having a purity of 99.5% or more for the manufacture of ACSR all aluminium conductors; Aluminium electordes.

19—Ball bearings of the following sizes: 6306K, 51206A; 51106A.; 51107 A.; L-064; DL 2520; YI 1210; DL 1412; DL 1712; DL 2012; JL 108; YL 1612; YL 1616; YL 1812; 21 (1)—Feeler gauges; 28 (4)—V. Belts of certain sizes; 36 (5)—Diamond drilling bits for mining purposes, including oil field drilling bits of all types.

46 (d)—Telephonic equipment, namely: Small size ARP Equipment (12 Subs+4 sirens); Dial Tester; Communication equipment for naval frigates; Cable extension equipment for microwave systems; 60 Channel cable system; 7 GHZ Microwave equipment for railways; Supervisory control bay for 6 GHZ project.

Part III

1-B—Dispers dyes, the following:

	Hue No.	Colour Index No.
Disperse yellow	7	26090
Disperse Yellow	64	—
Disperse orange	1	11080
Disperse Red	4	60755
Disperses Red	92	61100
Disperse Blue	3	—
Disperse Blue	94	—

1-B—Phenyl Methyl Pyrazolone.

Part IV

87, 109—Drugs and medicines, the following: Cyclamic Acid and its salts; Oxytetracycline base and oxytetracycline hydrochloride; 104—Calcined petroleum coke; 177—Industrial nylon yarn below 210 denier; 206—Felts; 226—Special quality linen thrad; 275(b) Garage tools, the following; Feeler gauge; Nut runner including broken bolt extractors, manual or power

operator. Also spinner, speedier and power nut runners; Piston ring file, piston vice, ring groove cleaners; Valve grinding tools : Valve grinding reamers; Valve spring measuring tool; Valve sets cutters; Vibro centric stone sleeves; Valve refacing and reseating tools; Valve guide cleaners; Valve guide drivers.

293, 295 297.1—Wheel covers; All kinds of lights.

Part V

22, 31—Chemicals, the following; Fumaric acid; Insecticides, Fungicides, Weedicides; ; and Rhodenticides, the following:

Ammonium sulphonate; Coumafaryl; Dusting sulphur; Fenotrothion; Nicotine sulphate; Sodium Dichlorophenol; Sodium Dimethyl Dithiocarbonate (Nabam); Warfarin.

Nickel formate; Normal butyl alcohol; Paradichloro benzene; Sodium benzoate.

41—Antique car tyres, the following:

Size	Ply rating
28x3	4
30x3	4
30x3 1/2	4
32x4	6
32x4 1/2	6
33x4	6
33x4 1/2	6
34x4	6
34x4 1/2	6
35x5	8
36x4	6
36x4 1/2	6
37x5	8
38x4 1/2	6

Light Truck covers and tubes, the following: 6.50-10; 6.40-15.

Fork lift covers and tubes, the following: Size 6.00-9, Ply raking—10; Size 7.00-12, Ply raking—8 & 12.

Tractor and Tractor' Trailer covers and tubes:

Size 13.6-28 (12-28), Ply raking——4 & 6; 65 (1-4) (v) (a) & (b)—Air-conditioning, Ice making and Refrigeration equipments, the following: Fans and Blowers; Bottle coolers; Beverage Coolers; X-Ray Film Developing Tanks; Plate Feezers; Freezers; Humidity Chambers; Blood storge refrigerators; Air-conditioners and Refrigeration controls, the following and those which are not included in Appendix 48: Filters and Dryers; Hard Stamp fittings; Solenoid valves; Shut-off valves; Relays; Expansion valves;.

65 (1-4) (v) (a) & (b)—(vii) Low and High Pressure cut-outs; (viii) Thermostats for Refrigerators, Room Air-contioners, Package Air-conditioners and other industrial applications; (ix) Running capicitor; 65 (1-4) (x)—Rice Mill Machinery—capacity 1, 2 and 4 tonnes per hour; Wagon Tippler; 65 (5) (ii) (a)—Flashers dippers Ignition switches; Fuel pumps Fuel pumps kits and parts thereof; 67 (i)—Handfed stop cylinder machine 20"x30"; 74 (iii)—Parts of head lamps; Locks specially adopted for tractors; Fuel/pumps Fuel pump kits and parts thereof; 78 (ix)—Strain indicators; Fish finders; 79—X-Ray tubes and accessories, the following:

DSA 1—85/15; DSA 2—100/25; 20/40; SHX 1—125/80 (Shield); CBX 1/4 cable; CBX 1/8 cable; CBX 1/6 cable;92 (g) (2) (g)—Bow compasses; Dividers; Drawing Boards; Drawing Board Trestles; Drawing instruments boxes and sets; Drawing pens; half sets and loose drawing instruments; Printing frames T. Squares; 93-94 (a) (iv) and 93-94 (g)—Binocular heads; Lenses with or without sleeves for eyepieces—objectives and condensers; Iris diaphragms and Leaves for Iris diaphragms cut to size Silver roads; 93-9 (j)—Bowls Cuspidor; Caps, Pulp; Carvers; Celumat; Contouring Instruments; Embedding Compound Investment Holders, Broach; Holders, Sponage; Orthodontic materials and appliances of metal; Refracto-Matrix Ceramic Investment; Strips, asbetos; 104—Natural diamonds;112 (a) (b) (c)—Cast Phenolic resinous tubes (for Bangle industry); Cast Phenolic resininous sheets and rods (for Button industry); 122 (iii)—Activate bleaching earth for bleaching deep coloured oils such as refind cotton seed oil, refined castor oil, palm oil and refine linseed oil 122 (xv)—Synthetic fibre cloth (other than that for textile purposes).

Part VI

Crankshaft grinding machine, swing 630 mm and distance between centres 2184 mm.; Surface grinding machine-vertical spindle-Reciprocating table type-table size 300x1500 mm; Vertical boring and drilling machines, co-ordinate table type upto table size 1800 mm mmx2700 mm Broaching machine — 50 tons capacity.

Iron and Steel items

Wire rods for cold heading of rimming aluminium killed qualities; Nose Bars for Ring frames for textile and jute industries.

APPENDIX-IV

List of new items to be allowed to actual users on restricted basis

Part I

17 (ii) (d)—Seamless (alloy and carbon steel) pipes and tubes; 41 (ii)—Copper pipes and tubes of sizes other than 18 mm O.D. to 100 mm O.D. having wall thickness of 22 SWG and thicker; 46 (c)—Brass pipes and tubes of sizes other than 18 mm O.D. to 100 mm O.D. having wall thickness of 22 SWG and thicker.

Part II

19—Ball bearings of the following sizes 5202/16; G-885141; N-5877; N-6132; 52204; 52205; BB 1005 ABC 1054 (Jeep part No. 649339) DG/PR 108; 51117 CK-15125/K-15245; CK-15125/K-15245; CK-3982X/ K-3920; 30214; 30216

37 (i) (f)—Jute cards and roll farmers (an attachment to the jute cards), the following: Long jute breaker card type JF-2; Long jute finisher card type JF-2; Long jute finisher card type JF-4p Cutting jute breaker card type JF-1; Cutting finisher card type JF-3; Cuting Teaser card type JF-10.

Part III

1 (d) (vi)—Sodium aliginate (for manufacture of dental products and latex industry); Dyes-intermediates, the following: Acetoacet - o - anisidide; Acetoacct-M-xylidide; Para Toluidine Meta-Sulphonic Acid (PTMS).

Part IV

87, 109—Drugs and medicines, the following: Nystatin; Phenyl Butazone and its salts; Methaqualone Hydrochloride.

Part V

6—Synthetic agents; 22, 31—Chemicals, the following: Benzoic acid; Benzotricholoride; Benzyl cyanide; Bonding agents for rubber; Diallyl phthalate (DAP); Butyl titanate; Didecyl phthalate (DIDP); Diethyl Ethanolamine; Dinonyl phthalate (DNP); Endrin (insecticide); Ethyl cyanoacetate; Furfural Iso bornyl acetate; Metalic acetates; 2-Methyl-2W propyl propendiol; Morpholine; Musk ketone; N. Dipropylamine; Ortho Dichloro Benzene; Palladium chloride; Para aminophenol; Para Hydroxy Benzoic acid; Phenatidine and para phenatidine; Phonoxy Acetic Acid and its salts; Phosphorous (Amorphous) i.e., white/ yellow phosphorous; Sodium/Hexameta phosphate; Succinates; Sulfamic acid; Terpeneol; Thio Semi carbizide; Trihytlamine; Urethane

65 (6) (a) (iii)—Components for the manufacture of office machines.

78 (v)—Nichrome heating elements (Tubular types) upto 1200-C in chrome nickel steel and copper tubing.

78 (ix) Ultrasonic devices including ultrasonic flaw detector; **Iron and steel items**: Ferro Manganese (containing less than 0.05% carbon); Plain carbon from 0.3% to 0.65% but excluding mild steels containing carbon below 0.3% Plates.

APPENDIX—V

List of items in respect of which quotas for established importers have been reduced

S. No. & Part of the I.T.C. Schedule	Description of item.	IMPORT POLICY	
		April '70-March '71	April '71-March '72
29/II	Spare parts of road rollers	10% on imports of spare parts or 1½% on imports of complete road rollers.	Nil
30(f)(iii)/II	Spare parts of diesel engines other than spares for road vehicular type diesel engines —Others.	(1) GCA—20% or 4% on imports of complete diesel engines.	GCA—10% or 2½% on imports of complete diesel engines.
		(2) U.S. AID—10% on imports of spare parts of diesel engines or 2% on imports of complete diesel engines.	Nil
31(b)/II	Parts of petrol, gas and kerosene engines.	20% (U.S.AID)	10% (GCA)
32(e)/II	Parts of motors	(1) GCA—7½% or 1½% on imports of-complete motors. (2) U.S.AID—20%	GCA—7½% or 1½% on imports of complete motors. Nil
36(5)/II	Spare parts of jute, hemp, tea machinery etc.	33⅓%	25%
46(b)/II	Carbons	(1) GCA—2½% (2) U.S.AID—20%	GCA—5% U.S.AID—Nil.
4(5)/III	Spare parts of textile machinery	7½% or 1½% on imports of complete machinery.	5% or 1½% on imports of complete machinery.
5(2)/III	Spare parts of textile machinery	7½% of 1½% on imports of complete machinery.	5% or 1½% on imports of complete machinery.
87,109/IV	Drugs and medicines	2½%	10%
144(b)/IV	Fur skins of leopard, tiger, deer, rabbit, fox, cat and other wild animals and reptile skins	100%	50%
275(b)/IV	Garage tools	(1) GCA — 7½% (2) U.S.AID—50%	GCA—7½% U.S.AID—Nil
293,295,297/IV	Motor vehicles parts	8%	6%
22,31/V	Nickel Formate	5%	Nil
22,31/V	Refills for fire extinguishers.	8%	5%
65(5)(iii)/V	Parts of machinery and spare part S.No. 65 (1-4) (vii) (a) and (b)/V.	20%	15%
67(2)/V	Spare parts of printing machinery.	100%	75%
68(a)/V	Rubber blankets for presses.	60%	40%
74(iii)/V	Spare parts for agriculture-tractors and tractor drawn agricultural implements.	(1) GCA—30% (2) U.S.AID—30%	GCA—30% U.S.AID—Nil
74(vi)/V	Parts of power driven agricultural machinery.	5%	2½%
79/V	Electro-medical apparatus and parts thereof, n.o.s. including ultra-violet and infra-red lamps for medical treatment.	(1) GCA—40% of quota certificates already issued or in relation to 40% of past imports during 1967-68 whichever is favourable.	40% of quota certificates already issued or in relation to 40% of past import during 1968-69 whichever is favourable.
		(2) U.S.AID—50% of quota certificates already issued or in relation to 50% of past imports during 1967-68 whichever is favourable.	Nil
92(m)/V	Micro eardrum hearing aids.	8%	Nil
93-94(e)/V	Medical including surgical instruments, made of rubber	15%	12½%
115/V	Stereo flongs	50%	33⅓%
	Spare parts of machine tools.	(1) GCA—4% (2) U.S.AID—5%	(1) GCA—4% (2) U.S. AID—Nil.

by R. P. Agarwala, on behalf of the Eastern Economist Ltd., United Commercial Bank Building, Delhi, at the New India Press, Connaught Circus, New Delhi.

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PLANNING—NEW LOOK

THERE IS surely an Alice-in-Wonderland air about the new Ministry of Planning. The government notification setting out its functions compares almost word for word with the Resolution of March 15, 1950, which set up the Planning Commission in the first instance. Except for inconsequential differences, the Ministry of Planning is to discharge the same responsibilities which the Planning Commission was originally charged with. In the circumstances, it would have been logical for the Prime Minister to have decided to abolish the Planning Commission and contented herself with the Ministry of Planning alone. This she has not done. What is even more intriguing is that she has not been able to indicate yet what precisely the relation of the Planning Commission which she is in the process of reconstituting, would be to the Ministry of Planning. All that she herself at present seems to know about the subject or is willing to tell the public is that the reformed Planning Commission will be much more than a mere secretariat of the Ministry of Planning. Would this mean that the Planning Ministry will have a secretariat and the Planning Commission will also have its own secretariat? Such of us as have been horrified by the proliferation of bureaucrats at Yojana Bhavan can only shudder at the prospect of ever-lengthening corridors of officialdom in the government's planning empire.

The Minister for Planning is the ex-officio Deputy Chairman of the reconstituted Planning Commission. The Prime Minister will continue to be its chairman but she does not expect to have much time to give to the detailed working of the Commission. Even so, any organisation which has the Prime Minister as its chairman cannot just be a mere secretariat or a mere department or indeed a mere anything. This emphasises the difficult problem of functional relationship between the Ministry of Planning and the Planning Commission which must be solved if the Planning Commission is to continue to exist in the new set-up. As it is, the projected arrangement not only appears to be untidy but inadequately considered.

Not that, in a general way, the new scheme of things is not without its share of good intentions. The decision to set up a separate Ministry of Planning has given the needed political status to the machinery of planning by absorbing it into the apparatus of decision-making at the highest levels in the central government. This process ought to give Planning an authority which it should never have lacked. The Prime Minister is also wise in trying to ensure that possibilities of conflicts over responsibility for policy or administrative jurisdiction between the Ministry of Planning and other central ministries or between the Ministry of Planning and state governments are reduced to the minimum. It has been provided that the policies and details of specific schemes included in the Plan are matters to be dealt with by the central administrative ministries concerned or state governments as the case may be.

The Ministry of Planning, for its part, will concern itself broadly with technical questions relating to planning and the planning organisation itself. In the nature of things, the boundaries in such matters are hard to define but there is no doubt that the guidelines indicated now are basically sound. It should therefore be possible for the scheme to function smoothly in this respect as experience teaches the various authorities concerned how to behave with one another in the general interest. However, the very fact that the Ministry of Planning is expected to function primarily as a technical ministry underlines the question, noted earlier, of the place of the Planning Commission in all these arrangements. If the Ministry of Planning is to be a technical adviser on planning to other central ministries or state governments, is the Planning Commission in turn to be a technical adviser to the Ministry of Planning on the same subjects? Yojana Bhavan in its heyday used to be described as an *imperium et imperio*. Its future seems to have been diminished to one of being a technical adviser to a technical adviser.

That there is a real need for energising the concept or apparatus of planning is of course only too true. But it can certainly be doubted that the Prime Minister has set about this business in the best possible manner. On the contrary, there is every possibility of bad becoming worse. Instead of simplifying and tidying up the apparatus of planning, the new scheme of a Planning Commission functioning within a Ministry of Planning may well enlarge and complicate further the vast bureaucracy which has already foisted itself on the higher direction, as well as the machinery, of planning. Such a development will be particularly lamentable at a time when the government itself has at last come to appreciate the need for quickening the pace of decision-making in economic affairs. Of all the scarce resources

which limit the growth of the national economy the most precious is the Time factor. With every day that passes without opportunities being created for more employment or production, the nation, especially because of its growing population, is forced to take a further step back into mass poverty and the impoverishment of potential resources for development. The people therefore expect that any exercise in reforming the machinery of planning should carry

We publish here, by courtesy All India Radio, a script by the Editor which was broadcast with a few verbal changes on Wednesday, May 5.

with it a clear assurance that the government will be able to move quicker in promoting programmes in agriculture or projects in industry which would make it possible for more and more workers in field or factory to earn better and better incomes over the coming years. Unfortunately, there is no indication yet that the planning apparatus is going to be energised in this manner although it could be said that we must suspend our judgement till a less incomplete picture than obtains now becomes available of any grand design the government may be having for the effective reorganisation of planning and machinery of planning.

The basic directions of planning themselves have not changed much over the years. As stated in the government Resolution of March 15, 1950, and reiterated in the official notification of May 4, 1971, they are inexorably related to a proper assessment of the material, capital and human resources of the country and in the light of such an assessment, the framing of proposals for augmenting such of these resources as are found to be inadequate and the formulation of plans for the most effective and balanced utilisation of national resources in the light of a sound scheme of priorities. This remains a stubbornly valid—even if somewhat cumbersome—description of the strategy we must persevere with for developing our economy. It therefore has to be the aim of the government to provide itself with an apparatus of planning which is technically competent to perform the functions enumerated in this description. There is little justification for believing that mere innovations in or additions to government machinery would achieve this objective. What is needed therefore is a compact body of higher direction with effective political authority at the level of decision-making in government and a sufficient but not sprawling complement of technical personnel, so that it may be able to function as a steady and rapid generator of ideas, energies and efforts in the nation.

—EDITOR

Industrialising Developing Nations

THE PROBLEMS of fostering industrialisation in under-developed countries came into sharp focus at the second Afro-Asian Conference on Small Enterprises held in New Delhi a few days ago — its predecessor had met in Cairo two years ago While, there in no difference of opinion in the developing countries on the need for industrialisation, thoughts on how to go about this job are yet to crystallise. It is in this context that the deliberations of the above conference were useful. Even though some discordant notes were heard at the conference, the consensus apparently was in favour of these countries according the highest priority in the industrialisation programmes of the developing countries to the setting up of small industries.

This overwhelming emphasis on small industries in the plans of the developing nations is not misplaced. A great majority of these countries has small or ill-developed internal markets. Their capital and managerial resources are limited. Their people have yet to attain high levels of technical competence. The primary problem facing them is to provide for growing population through widening the scope for employment at relatively low levels of investment. Small-scale industries eminently suit these countries.

But this does not imply that the development of small industries is not an exacting task. In fact, there was a realisation on the part of almost all the participants in the conference that encouragement of even small industries in the developing nations called for concerted effort. That this belief of the participants apparently got strengthened by their study of our experience is evident from the fact that the representatives of many countries asked for our assistance in developing small industries in their countries. Presumably, they were impressed by the wide range of small industries that have been set up in our country during the past 20 years. A broad picture of the progress our small industries have made was provided to them through an exhibition organised to synchornise with the conference.

As our experience shows, the development of small industries is indeed an arduous job. A new small entrepreneur has to be generally guided and assisted almost the whole way through. Feasibility reports have to be prepared for him. Assistance then is to be provided for drawing up detailed project reports and the most suitable process of manufacture to be adopted. Infrastructure facilities have to be created in the shape of built-up sheds with power and water supply.

After these preliminaries are over, his limited financial resources invariably have to be augmented through state or institutional assistance. Measures have also to be designed to enable him to overcome some of the inherent drawbacks of small-scale manufature. Facilities have to be created to enable him to secure raw material supplies at reasonable cost. Sometimes assistance has to be rendered for developing, trade connections or exploring markets. In the interest of improving the quality of his products, testing facilities have to be provided on a group basis. The new entrepreneur has generally also to be imparted some managerial training. He thus has to be assisted at various stages all through the line starting from the conceiving of the idea of what to produce right up to the sale of his products to the consumer. To make him competitive with medium or large-scale units, he is also to be provided with subsidies.

Recognising these hurdles in the way of fostering small industries, the conference appropriately called upon the developing nations to enact comprehensive legislation to cover all the aspects of assistance needed by small industries. There was also general agreement on the need for the creation of institutional facilities in different spheres of activities of small industries, especially in the field of manufacturing and marketing. It was generally felt that national organisations for the development of small industries should be set up in all countries in view of the special features of these industries and the role the government had to play in rendering assistance to them.

The conference has indeed given the right lead to the developing nations. As experience is gained by the nationals of these countries, they can well branch

out into medium and larger industrial units. Care, of course, needs to be taken in the very first instance to see that in the interest of the viability of the industries set up, the modern technological trends in these industries are given due consideration, depending on local conditions.

Interest Rates Too High

NO SERIOUS thought has been given so far by the monetary authorities to the evolution of a properly integrated structure of interest rates which will enable an effective use of available resources and help also the scheduled commercial banks to mobilise additional resources. There have actually been violent distortions in interest rates in the past two years and with the formulation of impracticable schemes for pushing through the bill market scheme and faulty credit planning, borrowers, big and small, are being penalised. It is somewhat surprising that there has been no attempt up to now to assess the impact on the banking system of the different procedures adopted by the Reserve Bank and the Banking Department of the union Finance Ministry to raise funds through open market loans by the central and state governments for financing procurement of foodgrains by the Food Corporation of India and other agencies and for granting small loans to new borrowers in the priority sectors. It was expected that this problem would be examined carefully and proper solution found at the recently held three-day meeting of the chief executives of the nationalised banks, the State Bank of India and its subsidiaries and the union Finance Minister and government officials.

There was, however, no serious discussion at this meting of the new problems and no clear understanding of how the frequent adjustments in lending rates have upset the economics of working of different industries and trades and whether it was necessary at all to have acted in the manner in which many bankers did in the past few months. While there may be genuine difference of opinion over what exactly should constitute an optimum structure of interest rates and whether a definitely dearer money policy should be pursued to induce a greater sense of discipline among borrowers and for stimulating savings, it will be generally agreed that the developments in the past two years have come about in a hotch-potch manner. Without a clear understanding of the role of interest rates, *ad hoc* adjustments have been effected periodically only to finance the heavy expenditure incurred by the banking system on the opening of a large number of new branches and facilitate cheaper borrowing by the Food Corporation of India and other state agencies for carrying out procurement operations. The immobilisation of larger amounts in central and state government securities and bonds of public bodies and the jacking up of the statutory liquidity ratio have also had a complicating effect. As a result of these various factors, the lending rates of even major banks have risen gradually from 8½ to 9 per cent, in respect of fully secured advances, to 10½ to 11 per cent even for basic limits, while higher slab rates of 11½ to 12 per cent are being levied for additional temporary accommodation. Where larger limits are involved, even higher rates have been charged up to 12 per cent and credits against book debts are not available for less than 11 per cent. For clean advances much higher interest rates are charged.

With an uninterrupted rise in lending rates, which was not quite justified having regard to the fact that bank deposits are growing at a fairly fast rate and it is likely that a new record will be established in the current year with fresh additions of the order of Rs 1,000 crores, the Reserve Bank thought it advisable to raise its lending rate by one per cent to 6 per cent in January this year as it was out of line with the new pattern of lending rates. The interest rates on deposits have also been revised, though it has been complained by Mr R.K. Talwar, Chairman of the State Bank of India, that a fair deal has nor been accorded to the depositors and lending rates have been raised without having due regard to the cost of mobilisation of money. He was also critical of the role of the Life Insurance Corporation and the Unit Trust of India in the call money market and their insistence on extracting fantastically high rates even for day-to-day accommodation.

While it may be said that the Life Insurance Corporation and the Unit Trust are entitled to a reasonable return on their sizable floating funds, when bankers were being helped during the critical period, the fact has been overlooked that the squeeze in the money market had been needlessly heightened and the system of penal interest rates and restricted refinance, which were badly conceived, were to blame. The government has only recently realised the mistakes of its earlier policies and with the adjustments effected by it in respect of advances against procured foodgrains and the steps taken to make quick disbursements against outstanding bills, the pressure on the banking system has been considerably relieved. The interbank call rate has come down to six per cent in all the three principal centres —Bombay, Calcutta and Madras — and many banks are not now being obliged to pay penal rates on their borrowings from the RBI.

However, considerable harm has been caused by the high short-term rates that prevailed in the money market in February and March. Many banks took advantage of the unusual conditions and raised their lending rates to the high level indicated above on the plea that they had to borrow heavily from the Reserve Bank and on a highly penal basis. This excuse can no longer be trotted out as refinance against fresh advances for procurement purposes would be available up to 75 per cent, as against 50 per cent till recently, and it is expected that there will be a faster growth of deposits in the current slack season. The question is whether banks will be gracious enough to reduce their lending rates and form correct ideas about credit planning.

There would, however, appear to be no great anxiety to reduce the burden of interest rates on the bigger borrowers particularly as the scheme of differential lending rate for different types of loans and for different classes of borrowers is yet to be satisfactorily formulated. The government and Reserve Bank are obviously anxious to keep a large cushion between average deposit rates and average lending rates so that they can have ample room for manoeuvre. There is hardly any justification for this complacent attitude as official spokesmen have indicated that even in a year of indiscriminate lending and heavy expenditure on the opening of new branches and a sharp upward revision in the emoluments of bank employees, many banks have earned net profits which are much higher than those for 1969. It is needless to point out that in 1971 the experience would be even more encouraging.

The Reserve Bank should, therefore, examine how the wide spread between deposit rates and lending rates can be reduced and whether there will be a build-up of undue pressure on the banking system if procurement operations are to be financed in the same manner and there is a shifting of the base period for determining the quantum of excess credit eligible for refinance purposes. The impact of a higher liquidity ratio on lendable resources has also to be taken into account for evolving any new strategy.

The feasibility of revising deposit rates for stimulating the growth which is already impressive, will necessarily

figure in these calculations. While even bankers differ on whether there should be upward adjustments in deposit rates, for mobilising larger resources, a high price will have to be paid for achieving even a marginal increase in the growth rate. In any case, there is no justification for a spread of over 4½ per cent between deposit rates and lending rates. This difference may be much higher as demand liabilities of the scheduled commercial banks still constitute a sizable proportion of total deposits and on the former little or no interest is paid. There will, of course, be considerable expenditure in handling a large number of accounts for deposits and loans.

But with a rationalisation of accounting methods and simpler procedures, the cost of mobilising deposits and utilising them can be reduced significantly. In the developed countries, the spread between deposit rates and lending rates is not more than 2½ per cent. It may be explained that this smaller difference is due to a smaller network of of branches and the disposal of funds in the form of bigger loans. Even allowing for the special disabilities that have to be endured by the Indian banking system, there is no justification for the existence of a spread of more than 3½ per cent, especially when there is the prospect of a fast growth in deposits in the coming years and the likelihood of the programme of opening branches in underbanked and unbanked areas, which are highly unremunerative in the early stages, being completed in the next two or three years.

As it has been claimed that the burden of losses incurred on new branches is offset to a great extent by many other branches opened in earlier years getting out of the red, the proper course for the Reserve Bank and the government would be to treat part of the outlay on the opening of new branches as deferred revenue expenditure to be amortised over a period or subsidise the expenditure incurred on the opening of new branches on a specified basis out of the the aggregate profits which are sure to be earned by the government after notionally providing for interest charges on the amounts paid by way of compensation to the erstwhile banks. These profits will be sizable if available resources are properly utilised even after reducing lending rates by ½ to one per cent and increasing deposit rates, by at least ½ per cent for periods exceeding six months.

It is time the monetary authorities thought of streamlining the structure of lending rates, especially as some other new complications are setting in. In any case, there is no justification for pursuing a dearer money policy without examining its economic implication and without giving a fair deal to depositors. As matters stand, it is possible to sustain even slightly higher deposit rates and reduce at the same time lending rates by ½ to one per cent and revert to the levels that existed in early March. The Reserve Bank and the government will be facilitating the process of readjustment to a great extent if they did not add to the pressure on the banking system through unimaginative procurement policies and inordinate delays in effecting payments against government bills. If banks are compelled to pay penal rates on their borrowings from the Reserve Bank, it should be only when credit creation was proving to be inflationary. Even here, quantitative control will be preferable to dearer credit.

The Mitsubishi Mission

MAGNIFICENT, MIRACULOUS and many more superlatives have been used by commentators to describe the growth of the Japanese economy and the relevant figures quite justify this description. Japan's economy advanced at a rate of 15 to 16 per cent annually during 1964 to 1969 which was indeed striking. Taking a specific instance of the steel industry, Japan has approached the 100 million tonnes mark and the world's largest single steel unit is no longer U.S Steel but Nippon. Japan's steel production is likely to be expanded to nearly 150 million tonnes by 1975 and around 225 million tonnes by 1980. The prospective growth in other spheres of the Japanese economy is also expected to be of matching magnitude. To sustain this phenomenal scale of economic expansion Japan has to make firm arrangements abroad for the procurement of raw materials and the disposal of end-products.

Already Japan has signed long-term contracts with several countries for the import of raw materials; these include agreements with Australia for iron ore, Zambia for copper and Canada for timber. Another sequel to this rapid rate of growth is Japan's investments abroad with a view to converting part of these raw materials into semi-manufactures so that only the final sophisticated processes are undertaken in Japan.

It may, however, be pointed out that although Japanese entrepreneurs move out to invest strictly in terms of their need of raw materials or other resources which have to be tapped abroad, there is no dearth of countries which would welcome these investments as being to their advantage as well. The record of Japanese industry's efficiency is quite remarkable. Any country that invites Japanese capital also imports highly developed technology and forward-looking management. It is in this context that this country should conduct a dialogue with the visiting Mitsubishi team.

This mission, led by Mr Ninichi Nakagawa, Managing Director of Mitsubishi Shoji Kaisha, has made it known that Japanese industry and government are positively interested in expanding the area of economic association with this country because of its political stability, large market and several other potentialities such as cheap labour. At present Japanese investments in this country are quite negligible, just about 3.5 per cent of the total Japanese investments abroad which is around 2.5 billion dollars. This mission, therefore, can pave the way for more Japanese investments in the near future.

This is a kind of reconnaissance mission and will be followed by a more comprehensive group for specific trade and investment possibilities. The mission has gone round the country and has held discussions with several representatives of business organisations. The discussions have related to the possibilities of Indo-Japanese collaborations for the production of goods for export to other countries including Japan and the setting up of joint ventures in third countries. The areas of possible partnership have been identified in engineering, chemical and consumer industries. Mr Nakagawa has pointed out that as a result of these discussions technical assistance could be provided for improving the production technologies of existing units and for organising export-oriented production by joint ventures.

Entrepreneurs from this country have shown particular interest in the setting up of joint ventures for the manufacture of castings, electronic components, distilleries, processed foods, petrochemical complexes, paper and pulp plants, dyestuffs and intermediaries, alloy and steel items as well as general merchandise. It has been suggested that if the mission could compile a detailed list of items which, given the complementary nature of the two economies, could be profitably manufactured in India, it would be widely circulated to create interest amongst potential Indian entrepreneurs.

The mission however has made it

clear that Japanese industrialists are not particular about percentages of share holdings in the joint ventures, but are keen, however, on the Japanese collaborators having sufficient freedom to guide the affairs of the projects in accordance with the best business interests. Another problem which has been discussed is the policy of our government on royalties, the present level of taxes at 50 per cent being one of the disincentives. The mission has expressed the opinion that, in order to attract modern engineering technology, royalty rates should be kept at attractive levels. It has also emphasised the problem of administrative and procedural delays in the processing or clearance of projects by government agencies. A sophisticated bureaucracy, it has pointed out, could sometimes "hamper the interests of society."

A Half-Hearted Attempt

ALTHOUGH WELL-meant, the liberalisations effected in the current year's import policy, announced belatedly on April 30, go only half-way to meet the requirements of the economy. No one can object to the special concessions proposed to be granted for encouraging the establishment of industries in backward areas, fostering the growth of small-scale industries, assisting engineering graduates in the setting up of their own ventures and for the re-opening of the closed engineering units, particularly in West Bengal. All these measures were necessary to contain the unemployment problems. But what passes comprehension is why despite the claim of a spurt in our export earnings in 1970-71, only lip sympathy should continue to be expressed for units which primarily cater for domestic consumption, especially those belonging to the list of priority industries. Our export earnings in the last financial year are said to have been around Rs 1,530 crores — an increase of about eight per cent over the previous year's figure of Rs 1,413.21 crores. With this encouraging performance in 1970-71, the growth in exports in the first three years of the fourth Plan works out to slightly over eight per cent — nearly one per cent higher than the target.

There is no denying the fact that in several industries included in the priority list, there is a good deal of under-utilisation of capacity for want of raw materials. The crying need of the economy today is the stepping up of production — not only for exports but also for the domestic market. Otherwise, all attempts at checking undue rise in prices are bound to prove abortive. It is perhaps not fully appreciated that a restraint on the price spiral at home is not only necessary to curb unrest in the country but is also imperative for making our exports competitive in the world market. Further, the list of priority industries itself needs a revision; it was drawn up nearly a decade ago when our economic structure was appreciably different from what it is today.

The case for the liberalisation of imports of raw materials to meet the growing internal demand is also strengthened by the optimistic outlook for the current financial year's exports delineated by the union Minister for Foreign Trade, Mr L.N. Mishra. Our exports this year, Mr Mishra hopes, will go up by about 10 per cent compared to the last year. If the preceding year's growth has been around eight per cent, as claimed, this year's estimate of 10 per cent increase in exports may, in fact, prove to be conservative. This is because of the recent happenings across our eastern border and the encouraging response which a number of our non-traditional export items, especially engineering goods, are evoking from abroad. Assured of raw material supplies, our engineering industry is in a position today to multiply its exports much faster than has been the case hitherto. That it has established its products in the Asian and African markets should be evident from the increasing number of turn-key contracts it is now bagging in these countries.

So far as the linking of imports with exports is concerned, it is indeed encouraging that this policy enunciated three years ago, is proposed not only to be continued in its essentials but also broadened. Those industrial units which export 10 per cent or more of their annual output are at present being allowed to import their requirements from preferred sources of supply. In future, if any unit exports 25 per cent or more of its production, "it will receive substantially greater preference." This new limit perhaps could have been kept lower, as only very few units will be able to avail of the new concession. The liberalisation effected in the imports of recognised export houses and registered exporters is welcome; so also the inclusion of ready-made garments and natural silk fabrics and articles made thereof in determining the eligibility for an export house.

In the canalisation of imports, the government could have proceeded much more cautiously than has been the case. It is true that the ruling party is committed to progressively enlarging the role of the public sector in the country's foreign trade, but this policy has to be tempered by the realities of the situation. The imports of as many as 51 new items (estimated import bill of Rs 130 crores) —many of them essential industrial raw materials—have been canalised through the public sector. The adverse effect of this on the employment potential of the existing import channels apart, this massive canalisation can prove very costly to the economy if there are inordinate delays in effecting imports. That such delays cannot be ruled out should be clear from the fact that proper institutional arrangements have yet to be made for the import of several items. Whether the public sector has the requisite expertise to handle the import of all the new items which it is being called upon to handle is also a moot point.

The proposal to make available the several canalised import items to the exporting units at international prices, of course, is a welcome step. Hitherto this has been done sporadically. In future, it is proposed to be done systematically. If the exporting units are assured of the supplies of imported scarce raw materials at prices at which their competitors abroad are able to get them, their competitive strength in world markets should obviously improve to the betterment of their export performance. The streamlining of the procedures, as promised by Mr Mishra while announcing the new import policy, should facilitate matters a great deal.

Labour-Management Relations

C. L. NARAYANA

THE STRENGTH and success of an organisation largely depends on the harmonious relations between its management and labour and their complete identification with its aims and objects. The labour force is organised into and represented by an institution called 'trade union' since it becomes practically impossible for the employer to individually find out and remedy the grievances of each worker. Hence the existence of a trade union is a must, because it provides a representative institutional means to negotiate with workers on matters of mutual interest and arrive at amicable settlement of outstanding issues, thereby preserving and promoting amity and good relations between labour and management.

While we are not lacking in the number of unions, the existing pattern of unionism does not, however, seem to serve this positive goal. Employers, in general, are concerned over the filippant and wayward attitude of unions on various issues under the influence of divergent political parties whose objectives are, by no means, compatible with those of workers and employers. It is said that trade unions frequently raise demands for wage revisions which, when conceded to, are not followed by matching increases in productivity. Go-slow tactics, gheraos culminating in violence and intimidation, and sporadic strikes have become the order of the day. There is a discernible tendency on the part of workers to extend indiscipline from the shop-floor to the residences of senior executives. This unruly approach of workers has stricken some industrialists with fear and pessimism about the possibility of restoring healthy labour-management relations and maintaining the economic viability of their organisations. Consequently, the organisations are being either closed down or shifted to other regions, the latter having come to be known as flight of industry.

Workers' Complaint

On the other hand, workers complain that employers are profit-thirsty, the wage board awards are not being implemented at all, or, are not properly implemented, the welfare of workers is ignored, bonus payments are inadequate, recourse is taken to unfair labour practices through wrongful dismissals and retrenchment of union office-bearers and, above all, the real representative union is not recognised and is by-passed in negotiations.

There is perhaps an element of truth in the grievances of both, since, in every instance, one or the other violates the convenant of ideal labour-management relations, by which the aggrieved party is provoked into defensive and retaliatory actions.

It is often said that the interests of capital and labour, i.e. employers and workers, are diametrically opposite as the masters try to give as little while the workers desire to get as much as possible and, therefore, the strife between the two is inevitable. Though it might be true to some extent, the modern concepts of labour-management relations call for a re-thinking on this out-dated philosophy. The theory of master and servant does not hold good any longer inasmuch as labour is regarded as an equal and unavoidable partner with identical stakes in the prosperity of an organisation. The relationship between the two is analogous to that of a 'chicken and egg'. One produces the other and enriches both. The inter-dependence of capital and labour for the successful running of an organisation is so full and complete that one ceases to be productive in isolation of the other.

Simple Example

Let us take the simplest example, although seemingly fantastic, but not altogether hypothetical.

If all the workers in a factory concertedly refuse to work, just imagine the predicament of the capital in spite of the best machines and material available! "However efficient the machine touch in an industry be, if the human element refuses to co-operate, the industry will fail to run."[1] A case in instance was the prolonged strike from November 1969 to January 1970 by more than 35,000 workers in seven engineering concerns of Jamshedpur, resulting in an estimated loss in production of about Rs 75 lakhs a day, which means that enormous capital worth several crores of rupees had been rendered idle and unproductive during the strike period. Similarly, if an industrialist, whatever may be the reason, withdraws from his entreprenurial activities and is bent upon winding up an organisation or shifting the same after complying, if necessary, with the statutory provisions regarding retrenchment compensation, etc., of what avail is the existence of plenty of labour with the best of skills? The head office of the Birla concerns was shifted from Calcutta in the face of fierce demonstrations by the staff and resistance by the trade union leaders. The government too failed in its bid to prevent the same and the staff suffered the tragic consequences of unemployment.

Some may argue that in all such extreme situations, workers stand to suffer much more than the employer, since labour is a perishable commodity without any reserve price. Each day lost is lost for ever and hence labour cannot remain unemployed for as long as the employer, without facing the grim prospect of economic distress. This is, no doubt, true in the context of the economic backwardness of workers and the poor financial resources of trade unions. Nevertheless, in the ultimate analysis, the above examples bring home the stark reality of one agency remaining unemployed and consequently becoming unproductive, divorced of the other. It is, therefore, rightly said that if capital employs labour, labour too, in turn, employs capital.

Fundamental Truth

This fundamental truth of one factor being an equal partner — rather an indispensable instrument to the prosperity of the other — has to be fully realised in regulating the relations with each other. The onus is more on the employers, some of whom still seem to think in terms of "the management's inalienable right to 'hire , control and fire' workers."[2] It is high time that they shed these vainglorious complexes of superiority with exclusive prerogatives to force workers into accepting the terms dictated through their head, divested of the heart. They should regard themselves as comrades-in-arms with workers in pursuit of an objective of mutual benefit. So also the outside politicians who take upon themselves the role of trade union leaders and benefactors of workers should exercise discretion and restraint in putting up demands and inciting workers into activities subversive of the interests of the organisation, which would ultimately spell disaster to capital and labour as well.

The common object of interest for both is the 'organisation' which can flourish only when all the factors of production combine and work in harmony towards achieving the targetted goal. The prosperity of the capital and labour is, thus, essentially linked with the progress and development of the organisation which, in turn, depends largely on the rapport established bet-

ween the two wings and the extent of their identification with the organisation and its objectives. Other factors being normal, the working results of an organisation may be said to be a precise index of the cordial relations obtaining between the employer and workers.

This leads us to the all-important problem of cordial labour-management relations which means nothing more and nothing less than human relations based on goodwill and common-sense. There have been numerous occasions when the need for cordial relations has been unequivocally voiced by the emloyers' and workers' organisations pledging their efforts towards promoting the same through negotiated settlement of disputes. The government too, on its part, has enacted several legislations providing for a hierarchy of official machineries under the state and central governments to intervene and regulate labour-management relations at different stages, and to prevent escalation of the outstanding disputes through compulsory adjudication, if necessary.

Unfortunate Experience

In introducing compulsory adjudication as last item in the machinery for settlement of disputes, the obvious intention was that both labour and management should sincerely endeavour to settle their disputes through the other available media of conciliation, arbitration, etc., failing which the appropriate government may take the ultimate step of referring the dispute for adjudication in deserving cases. Unfortunately, this has not been the case in practice. In their bid to avail of only the ultimate means of settlement through adjudication, the disputing parties put up uncompromising postures through all the earlier processes of settlement, thus reducing the conciliation proceedings to simple routine rituals. In this sense, the availability of adjudication has, to a great extent, sapped the contending parties of the earnestness to seek settlement of disputes amicably through negotiations. The urge for collective bargaining and internal settlement of disputes is thereby grossly undermined. In the words of Mr V.V. Giri, veteran trade union leader and the present President of India, "We must free the parties from the shackles of compulsory arbitration, restore to them their sense of self-confidence and responsibility and inculcate in them the spirit of self-government."[3]

At the non-official level, in addition to many truce resolutions, a code of discipline, which is a compendium of obligations of managements and unions, was adopted at the 16th session of the Indian Labour Conference in 1958, ostensibly with a view to ushering in an era of industrial peace. A survey of the existing labour legislation providing for prevention and settlement of disputes coupled with the non-official measures agreed upon by the employers' and workers' organisations from time to time aiming at harmonious relations, amply demons trates that there is an exuberance of legislations and high sounding 'voluntary' resolutions in this regard. What is deplorably lacking is the will to abide by these legislations and the good sense to implement in letter and spirit the so-called voluntary truce resolutions. Although they are said to be 'voluntary', the subsequent intransigent conduct of workers and employers in sticking to their guns on any outstanding issue, only goes to show that they were rather coaxed into subscribing to these resolutions by the apparent trend of discussions and the prevailing mood in the various conferences so as to exhibit that they too were second to none in cherishing peaceful labour-management relations. Some of the parties to the avowed resolutions had, in fact, openly rescinded the same later on. Consequently, these measures have failed to take labour and management even to the periphery of cordial relations. Instead, industrial disputes have multiplied and sometimes assumed menacing proportions, making it difficult for the two to see eye to eye.

Impact on Economy

Maintaining cordial relations is primarily an affair of the parties concerned. But for the fact that the commercial activities of an organisation have an indirect impact on the economy of the country, which accounts for the government's interest, it may even be said that the question of cordial labour-management relations is their 'private' affair — as purely private as the relations between a wife and husband. The settlement of a dispute, be it trivial or potential, is best left to them based on their conciliatory attitudes and realisation of the compelling need to retore cordial relations within the organisation/family. Any amount of interference by a third agency or recourse to adjudication to settle the issue will not be of any avail unless it is supplemented by the strong will of the parties to reconcile.

I am reminded of a case where a husband and wife thought that their marital relations were irreconcilably broken. They had been living separately for over a year or so. In order to have an official recogition of this fact of their separation, they prayed for divorce through a court. After patiently hearing the case over a number of sittings, the learned judge pronounced that the prayer could not be granted and both had to live together in 'perfect harmony'. The insistent couple who were emotionally torn apart, were dismayed by the sermonising judicial verdict and quickly came to an out-of-court settlement to continue living their own way undaunted by the court's order. Whoever can make the horses drink unless they have the inherent desire for water!

In another case, in a public sector undertaking the workers fought a costly litigation with the management for revision of scales providing for a 20 per cent increase in emoluments. The labour court gave an award justifying the demand of workers. But the award was interpreted by the management in a strange manner, which, when implemented, did not result in uniform gains to all the workers. In fact, the pay of seniors in all cadres was reduced, let alone an increase of 20 per cent and had to be protected as 'personal pay' to be absorbed against future increments. This was naturally resented by all the workers, followed by a major strike to which the management reacted with a lock-out, resulting in a production loss of about Rs 5 lakhs a day. Look at the gap between the levels of aspiration and achievement of the workers and the strange end-results by which the organisation itself was paralysed!

All this again points to the futility of adjudication in proper settlement of disputes devoid of a sense of understanding and spirit of goodwill to appreciate and uphold the legitimate interests of the other party. Bereft of these essential ingredients, the cordial relations between labour and management are bound to disappear yielding ground to acute bitterness and creating a gulf of distrust which it is difficult to bridge in the absence of genuine change of heart and outlook.

Unpredictable Result

Moreover, when an industrial dispute is referred for adjudication, the ball goes out of the courts of both labour and management. The result becomes unpredictable keeping them on tenter-hooks. The 'partners' in an organisation unfortunately turn out to be 'opponents' in a self-defeating litigation trying to pull the legs of each other. Instead of seeking an amicable solution through negotiations with dignity and honour, both the parties stand exposed to a decision imposed from outside which cannot naturally be implemented smoothly and without reservations from both sides for the simple reason that it lacks their unqualified emotional

acquiescence as in the case of a negotiated settlement reached through straightforward bargaining.

Recourse to adjudication and dependence on a third party for settlement of industrial disputes will not, therefore, bring any or lasting results. ".... it is far better for management and labour to settle their differences amongst themselves than for them to go as litigants and opponents before a labour tribunal or court."[4] "Industrial democracy requires that the parties to a dispute should resort to what the ILO calls a "more civilized concept" of industrial relations, "characterised by a disposition to discuss rather than to dispute." The roles of labour and management are complementary in this respect and it is essential that both parties firmly believe in the merits of healthy straightforward bargaining with an open mind and endeavour to settle the issues in a spirit of give and take based on goodwill and fair play.

The atmosphere before and through the negotiations, and after concluding the agreement should be free from rancour and animosity so that, later on, "neither party entertains any sense of humiliation or feels the urge for retaliation and revenge."[5]. This is possible only when mutual confidence in the sincerity of each other to arrive at a just and amicable settlement prevails throughout the negotiations and the final results of negotiations do not belie the essence of their just hopes and aspirations. This is the watchword of cordial relations, the urge for which should naturally be sought in the conscience of both labour and managements.

Social Objectives

The concept of cordial labour-management relations has also to be viewed with reference to certain social objectives to be achieved based on ethical values in the absence of which the problem of industrial peace remains only superficially solved without the sting of suspicion and discontent not permanently removed from the body-politic. The social responsibility of industry is one of the important slogans gaining ground these days. There is an urgent need "to bring about a synthesis of the corporate and social objectives of an undertaking to maintain a fair degree of industrial peace", since the same is "being continually affected by the changes taking place in the socio-economic life in the country."[6] Despite the fact that labour is an indispensable partner contributing equally to the success of an organisation, it is economically weak and therefore needs to be tended with extra attention and liberalism in order to keep up and improve its productivity. Also the call for 'socialism' makes it obligatory on the part of the industrial 'haves' to share the fruits of industry with the worker 'have-nots' with the specific moral objective of reducing the widening gap between the two by pushing up the latter to a level of reasonable standard of living.

In this context, the organisation as a whole should be regarded as a Hindu undivided family where the employer happens to be the *karta* and the workers, his coparceners, all dedicating their energies and activities to fortify the economic base of the organisation wherefrom they could draw the means of their living in an equal measure. The workers' right in an organisation is akin to the coparcenery right in a joint family. An attitude of "each for all" should be the keynote of interrelations, every one becoming deeply concerned with the well-being of the rest and personally committed to the progress of the organistion.

Special Responsibility

As is the case with the *karta* of a joint family, the employer owes a special responsibility to his workers in managing the organisation prudently keeping in view the welfare of all the members. And when it comes to distributing the gains of the organisation, the employers should cast aside their acquisitive tendencies and willingly come forward to share generously with workers the fruits of their joint labours in proof of realisation of their social responsibility. This implies that the employers have to 'restrain' their 'sectional interests' and volunteer to go an extra mile than what has been prescribed by law. The criterion should be what the employer 'can' do rather than what he 'should' do strictly according to the letter of law, to pull the workers out of the mire of poverty and despondency.

Unfortunately, the thinking in some important circles of the government seems to be in the opposite direction. Addressing a seminar on 'Pricing and Investment', organised by the Institute of Public Enterprises in January, 1970, Mr B. Sivaraman, union Cabinet Secretary reportedly pleaded for "a close look into the amenities given to labour in public sector undertakings and find out whether they .. did not go beyond what was required under the law."[7] He reportedly added: "There was no doubt that labour should have certain reasonable amenities, but it was not reasonable to demand more than what was required under the laws."[8] Whatever may be the justification behind this view, it would, far from encouraging, certainly dampen the enthusiasm of the private sector to liberalise their approach towards labour welfare in consonance with the government's policy of socialism.

Laudable Attempt

However, it is heartening to note that the private sector has decided to build an "acceptable image" by adapting itself to the changing political, economic and social conditions in the country. It has been reported that the leading companies in the Tata Group and the Bajaj Group and also some other companies had taken steps "to alter their articles of association so as to provide for acceptance of the concept of social responsibilities of business."[9] This is undoubtedly a laudable gesture on the part of employers and a happy augury to the quick accomplishment of the twin objectives of socialism and cordial labour-management relations.

In conclusion, it may be said that the whole gamut of labour-management relations has to be viewed from the three angles of (1) mutuality of interest of the employers and workers in the prosperity of the organisation, (2) complementarity of their roles, and finally, (3) the ultimate social objectives to be achieved.

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Realism Helps Solution

R.V. MURTHY

THE SCHEME finalised by the Ministry of Foreign Trade to increase the production of controlled varieties of cloth is an indication of the sense of realism pervading the government and the industry. It shows that, when these two parties try to understand and appreciate the problems and are determined to achieve results, a solution is not at all impossible.

The scheme, as it has emerged finally, takes note of the government's requirements as well as the industry's difficulties. If the former needed to ensure greater production of controlled varieties of cloth both to cater for the needs of the poorer sections and to hold the price line, the latter wanted certain assurances as to the availability of raw material and reasonable price to be able to augment production without undue losses. Now, the industry as a whole has undertaken to ensure that 25 per cent of its total production (as reduced by sales for export and defence) will be in the form of controlled varieties, which is a measure of the wholehearted co-operation of the industry. This will be best appreciated by a comparison of the industry's output of controlled varieties of cloth during the last (November, 1970—January, 1971) quarter which was only 1.3 per cent or just about 12 million metres, with what it would be under the mutually agreed scheme, namely 100 million metres, if not more. The industry has also displayed its spirit of accommodation by agreeing to wait for the report of the Bureau of Industrial Costs and Production (expected towards the end of the year) for a revision of prices of the controlled varieties of cloth.

Keen Sympathy

It is noteworthy that the government too has been fully appreciative of the industry's plight and has evinced keen sympathy, as witness its scheme whereby the estimated loss to the industry about Rs 5.25 crores -due to its binding itself to produce 25 per cent of controlled varieties of cloth will be allowed to be met mainly (to the extent of Rs 4.5 crores) by the mills producing fine and superfine varieties (to be raised in the form of a cess on imported cotton and partly (Rs 75 lakhs) out of the compensation fund built from penalties paid by the defaulting mills. Appreciating that higher production is possible only if more cotton is made available, the government has stayed its hands in regard to raising the penalty from six paise to 25 paise per metre or the percentage of controlled varieties from 25 per cent to 40 per cent for non-fulfillment of the quota till July next, when there is to be a review of the position. By then, it is evident, the government hopes to ensure adequate supplies of cotton to the mills. This is, indeed, the crux of the problem. For, as things stand, the supply position of cotton is difficult, if not precarious.

Continuing Anxiety

Referring to the extremely difficult supply position of cotton, Mr C.M. Khatau, the retiring chairman of the Millowners' Association, Bombay, stated at the last annual general meeting of that body, held recently: "The outlook for the textile industry for 1970-71 will be one of continuing anxiety. Though the government had made known its intention to import not less than 17 lakh bales to meet the shortfall in supply, and the import allocations for nearly 86.2 lakh bales have been made, arrivals have been very tardy. With the size of the indigenous crop suffering diminution, stocks with mills are getting more and more slender. Unless the stocks are replenished betimes by *speedy time-bound* imports, sporadic closures are likely to occur giving rise to law and order situation." (*Italics mine*).

In view of what has been quoted above, it is worthwhile recording here the government's import commitments and the actual position. When the industry was confronted with scarcity of cotton supplies, on the one hand, and the leap-frogging of cotton prices, on the other, it will be recalled, it approached the government to allow block closure of mills for a fortnight immediately, to be followed by a further period later on during the season. the government did not agree to this request, but decided to meet the position by agreeing to an additional import of five lakh bales (over and above the original import target of 8.25 lakh bales at first and to a further 3.75 lakh bales subsequently. The total imports agreed to by the government thus come to 17 lakh bales, but, as against this, the issue of import allocations was not more than for 8.62 lakh bales, whereas arrivals have been lower still at 3.50 lakh bales! The government's inability to import the cotton in time, on the one hand, and its frequent alterations of the basis of distribution, on the other, combined to cripple the industry's production, inasmuch as its programme could not be planned well ahead. The MOA chairman was, therefore, right when he told the government that "frequent changes in the basis of distribution cause disruption of production programme" and urged that "any change in the distribution pattern shall be instituted only in consultation with the industry".

Public is Misled

From all the accounts that appear in the daily press and the loud protests of some professional politicians, the public has doubtless been misled into believing that the mills have not been playing the game, the implication being that they are deliberately curtailing production with a view to exploiting the situation to their benefit. How far removed from the truth such unwarranted allegations are is evident from the figures of yarn and cloth production by the mills in 1970 given by Mr Khatau. Thus, production of yarn reached 969 million kgs, showing an increase of 18 million kgs over the 1969 total. Incidentally, this is the highest for the decade 1961-70 and higher than the highest level attained in 1964 (965 million kgs). Similarly, cloth production also increased by 14 million metres - from 4,168 million metres in 1960 to 4,182 million metres in 1970. (In 1961, however, the production was as high as 4,701 million metres). Mr Khatau noted that "the reason for increase in the production of cloth and yarn (in 1970 were that not only the number of spindles and looms installed in the industry increased but also the number of operative spindles and looms increased".

The mill industry also helped augment supplies of cloth by making available more yarn to the decentralised sector. As a result, cloth production by the latter increased from 3,538 million metres in 1969 to 3,600 million metres in 1970. Accordingly, the country could have a total availability of cloth of 7,682 million metres — a rise of 76 million metres over 1969.

Similarly, the industry made its contribution to the country's foreign exchange earnings by maintaining its

export performance against heavy odds. As a matter of fact, exports of mill-made goods increased slightly from Rs 105.22 crores in 1969 to Rs 111.62 crores in 1970, while all cotton manufactures, including those of handlooms and powerlooms, aggregated to Rs 123.49 crores in 1970, as against Rs 116.51 crores, in 1969. True, the percentage rise works out to only 5.8 below the Planning Commission's target of overall exports (annual growth rate of seven per cent), but the fact that the value of exports in 1970 was the highest on record cannot but be highlighted. Quantum-wise, however, it must be added, cotton piecegoods exports declined from 418.50 million sq. metres in 1969 to 403.16 million sq. metres in 1970, although, due to the change in the pattern of exports from grey to processed goods, the value figure showed an increase, as stated earlier. But, as Mr Khatau underlined, "the most disturbing feature of our exports is the severe drop in the volume of exports to the UK which is the principal market for Indian piecegoods. From 113.12 million sq. metres in 1969, exports (to the UK dropped to 58.58 million sq. metres in 1970. The export to the EEC countries also declined from 40.1 million sq. metres to 27.05 million sq. metres."

After referring to this disturbing trend, Mr Khatau did well to stress the point that the root cause for this decline in exports requires to be thoroughly probed, particularly so in view of the impending withdrawal of the concession of duty-free imports into the UK, not to speak of the likely entry of the UK into the ECM. But, more than even this probe, it is very vital that cost reduction is given the highest priority, which, in turn, means modernisation. To quote Mr Khatau, government must "be more and more outward looking in regard to technological developments with a view to enabling the textile industry to search for, locate and to import the new technology for achieving the twin objectives of import substitution as well as modernisation".

The ills of our cotton mill industry are none too unfamiliar or irremediable, but, for some inscrutable reasons, the industry has been allowed to be continually plagued. There now seems to be welcome change in the government's policy; this should angur well for the industry.

Salvaging Coir Industry

'SPAN"

THE COIR industry is undoubtedly on its last legs, notwithstanding what the Coir Board may say about it. The statistics cited by the Board deceive no one. Of course, the Board may say that they have been able to maintain the export level for the last few years. True, but the very fact that exports have been more or less static and there has been no appreciable improvement as years go by, is proof positive that the coir industry has ceased to be forward-looking.

Of course, the question of resuscitating the industry has engaged the attention of the government and various measures have been suggested to stem the tide of its recession. But it is regrettable that no worthwhile remedy has been tried to bolster up this slumping industry.

The main cause that has led to the confusion and unrest in this industry has been the process of disintegration that has set in the organised sector of the industry. Once it was thought that the so-called 'decentralisation' of the industry was the panacea for all the evils that were plaguing it. But unfortunately events have proved otherwise. The brutal fact that stares us in the face is: How best should we solve the nettling problems of two-tier costs, two-tier wages and two-tier prices that have been plaguing this industry, reducing the organised sector spectre-thin, emaciating the cottage sector and thereby weakening the bargaining strength of labour?

It is long since the organised sector started its down hill journey. Now it has almost reached the point of no return. But, still, if there is any stabilising influence in the whole spectrum, it has been that of the 'presence' of the organised sector as the 'balancing factor' in the overall economy of the coir industry. The presence of the organised sector has been a sobering influence in disciplining the various factors such as costs, wages, prices, etc.

Trade unionism in Kerala had its nursery-bed in the coir industry. But today what passes for "trade unionism" is concerned neither with trade nor union in this industry, what with one union pulling the leg of another, the cottage and the organised sectors pulling in different directions and the industry and the government talking at cross-purposes. This unenviable state of affairs cannot be wished away nor can it be reversed by the parties persisting in their ideological approach to the problems without due regard to pragmatism. The problems of this industry will have to be viewed purely from the economic plane.

What is needed today is the removal of the unhealthy competition between the organised sector and the so-called cottage sector, which would call for the removal of the two-tier system of costs and prices.

Glaring Disparities

The organised sector alone has to pay agreed wages and other fringe benefits, such as leave with wages, employees' state insurance, provident fund, gratuity, holiday wages, lay-off compensation, etc., while the bulk of the manufacturing units in the cottage sector has steered clear of these obligations with impunity. This, in turn, has reflected itself in the glaring disparity between the production costs of these sectors and, as a natural corollary, the disruption of the organised sector has set in. The failure on the part of the government to arrest this phenomenon has been the cause of the frustration that has gripped the economy of the coir industry. It should be the concern of any progressive and pragmatic-minded government to take timely preventive and ameliorative measures.

If the organised industry is to be lifted out of the doldrums, the importance of imparting to it a built-in strength cannot be too strongly emphasised. In this light, a scheme is before the government, forwarded by the State Advisory Board, which is worthy of earnest consideration. The chief value of this scheme lies in the fact that it aims at insulating the organised sector against further fragmentation and disintegration.

The scheme calls for a cash assistance of 33 per cent of the total wage bills of the units in the organised sector with a view to neutralising the competitive edge presently enjoyed by the so-called cottage sector. The cottage sec-sector has been denying to the workers the agreed wages and other fringe benefits, legitimately due to them. Indeed this, in short, has been the bane of the coir industry, the central reason for accelerating the process of disintegration of the organised sector. Of course, politicians who have engineered this 'disintegration' may couch it more euphemistically as 'de-centralisation', as a cloak to camouflage their selfish motives.

The Coir Advisory Board has invited comments from various interests in the industry on his recommendation of cash subsidy. The sub-committee constituted to study it, has fully

endorsed the scheme, and this was discussed at length at the Advisory Board's meeting held at Trivandrum on January 7, 1971, under the chairmanship of Mr Balaram, Minister for Industries.

The representatives of merchant-exporters, who have been hand-in-glove with the cottage sector in undermining the security of the economy of this industry, were equally vociferous in criticising the recommendations of the sub-committee. The President of the Cottage Industries and Shippers' Union, Mr Shertallay, and a few others questioned the soundness of these recommendations, more or less drawing heavily on the stock arguments. Their main argument was that the cottage level format was best suited to this industry, and compared the conditions of this industry to those of the Japanese set-up in general. This was patently absurd. The 'cottage sector' was a pre-war phenomenon in Japan, which has no relevance to her post-war facets. Probably, a comparison can be drawn between the 'cottage level' set-up of pre-war Japan and present-day conditions of the coir industry as applicable to the cottage level units.

Blowing Hot and Cold

The most surprising part of the argument of the votaries of the cottage-industry lies in their blowing hot and cold at the same time. In one breath they say that all is well with the cottage level set-up so far as coir industry is concerned. In the next breath they say that the cottage sector should be strengthened to play its proper role. How can they reconcile the one with the other?

Of course, they say that it is of paramount importance that the cost of production should be kept 'low'. True, no one disputes it. But the low cost of production should not be at the cost of labour. What is crucial is the maintenance of 'productivity' at the proper key. Of course, they say that labour should be given reasonable wages and all benefits. Experience has shown that it is never possible to ensure this in any cottage level.

When the organised sector alone is compelled to give the standardised wages and all fringe benefits to labour, while others are not, naturally those who foot the additional bills would be at a disadvantage and it would be a progressive-minded government that would recompense for the loss suffered by the former with a view to maintaining the balance of economy of this industry.

Their argument that to compete in any market, the most proper method is to stabilise the industry in the small-scale or in the cottage level cannot hold water. This is an astonishing stand anyone can take on the science of socio-economics. We live in an epoch when events move faster than the thoughts of man. It is preposterous to say that against the grinding wheels of sophistication and modernisation, the fragile and anachronistic blossom of cottage sector could hold its own.

I wonder how any one could justfy the statement that coir industry is essentially a cottage industry. Memory cannot be so short as to forget the huge factories that once outlined the commercial canals of the little town of Alleppey providing gainful employment to thousands. There is no gainsaying the fact that this industry was at its best when the organised sector was at its best, with all its concomitants: better bargaining strength to labour, a more purposeful application of resources, greater export earnings and orderly progress.

In this contex, it is worth mentioning that Indian labour ranks among the world's low-paid, that being the reason why we get frequent queries from abroad for counter samples of several items. Not that they lack the technical know-how but they want to reduce the labour cost which is astonishingly high in the advanced countries. We find the east European and western countries placing huge orders for ready-made garments and for shoes, etc., with us. Why? Not that they are novices in the art of garment or shoe-making, but they want to canalise their resources into more efficient uses and leave these primitive requirements to an undeveloped or developing economy.

Of course, it is true that the coir products are facing competition from synthetic and other identical products from advanced countries. But we should remember that they are not that cheap. Even with a 25 per cent increase in the present rates, cheapness will still be the main selling point of coir products in the overseas markets.

Besides the recommendations made in the joint scheme mentioned above, other radical measures in other sectors will have to be contemplated to give the industry a shot-in-the-arm. Measures such as control of husk price will doubtless help keeping down the overall cost of production at a comfortable level. *What is of paramount importance today is to place the manufacturing sector back on its rails. Once this is done, other things will follow.*

GIIC—The Investment Catalyst

S.J. COELHO

TODAY, IN Gujarat, the entire region between Kutch and Umbergam is alive with industrial activity. This is the great adventure by the people of Gujarat — well-known for their entrepreneurial ability— assisted in the process by a strong and efficient administration and a government committed to rapid industrialisation.

After the formation of the State of Gujarat in 1960, a number of steps were initiated to overcome the inadequacies of both physical and financial resources and the imbalances in structure. Over the years, the foundations have been laid for a broad-based industrial structure with the development of a complete corporate mechanism to service industry in all respects.

Industry in Gujarat not long ago was confined mainly to the manufacture of such traditional consumer items as textiles, chemicals and pharmaceuticals, based on the locally available raw materials. Heavy industries came on the scene practically in the post-independence era. The rapid upsurge in the last ten years has been the result of conscious and dedicated efforts by the state government and entrepreneurs who together have woven the industrial fabric of Gujarat as complex as the patola of Patan, as varicgated as the bandhani of Jetpur, and as colourful as its people. Barring the steel industry, Gujarat has forged its way into almost every sector of industrial activity and today ranks third in the country in its record of industrial output.

Conscious of the need to provide a direct impetus to the development of basic heavy industries, the state government is actively participating in certain sectors of industrial activity. The mecessity was felt of government assistance though active and careful participation in share capital of those industries and projects which were capital-intensive and vital to the growth of industrial activity in the state, if not capable of yielding very high returns initially.

The institutions that were created by the state government to translate its thoughts into effective action were the

State Financial Corporation, the Small Industries Corporation, the Export Corporation, the Industrial Development Corporation, the Textile Corporation, the Agro-Industries Corporation and the Industrial Investment Corporation.

The Gujarat Industrial Investment Corporation came into being on August 12, 1968, against the backdrop of state participation in the industrial sphere. Within a little over two years of its actual operations, the corporation has played a pivotal role in promoting industrial activity in the state, by assisting the large, medium and small-scale sectors in the creation of new entrepreneurs, expansion of existing units, renovation and modernisation of economically weak units by providing long-term finance, underwriting/subscription of public issues, guaranteeing advances from other investment sources, and participation with financial institutions like the ICICI, the IFC and the IDBI at national level, and the GSFC and nationalised banks providing the balancing investment. The GIIC has thus played a major catalytic role in developing industry by drawing other financing institutions into its promotional activities.

The General Scheme

The corporation now operates its General Scheme, Technicians' Scheme and Rural Workshops Scheme through its own funds and in participation with other financing institutions.

Under the General Scheme, the GIIC provides financial assistance to industries in general by way of term loans and subscription to public issues upto 75 per cent of the fixed assets created. The repayment is spread over 16 half-yearly instalments with an interest of 9½ per cent after a moratorium period of two years.

With its experience of having assisted 306 projects with a financial commitment of Rs 11.52 crores, the corporation feels encouraged to adopt the following pattern of assistance:

(i) Term loans as part of the overall financial requirement.
(ii) Underwriting a part of the public issues.
(iii) Subscribing a part of the equity and preference share capital.
(iv) Participation with other recognised financial institutions for providing the full requirement of financial assistance.
(v) Assistance in the form of guarantees required by recognised financial institutions, government agencies, departments and corporate bodies.

With the introduction of GIIC's Technicians' Scheme, a silent revolution has taken place in the entrepreneurial field. It has, in fact, heralded the dawn of a new era with its unique scope and content. The corporation has literally broken new ground in opening the doors to those technicians who till now were unknown to the banking sector, while their own financial capacity would never permit them to start their own projects.

The corporation has not insisted on any contribution from the technicians towards the creation of fixed assets for providing working capital margin for putting up projects. No third party guarantee is also insisted upon.

For financing the otherwise viable projects of technicians, the corporation has negotiated with commercial banks for their active participation in the scheme. The Bank of Baroda has already started participating in the scheme by sponsoring technicians on a 50:50 basis on capital investment and full working capital arrangements; negotiations with other banks are also nearing finalisation. Several banks like the State Bank of India, the Bank of Baroda, the State Bank of Saurashtra, the Union Bank, the Bank of India and the Industrial Co-operative Bank are providing working capital to technicians against guarantee by GIIC on the margin of working capital. An integrated credit complex in which the Gujarat State Financial Corporation, the Gujarat Industrial Investment Corporation and the Gujarat Industrial Co-operative Bank will jointly participate is now nearing finalisation.

Low Interest

The rate of interest on loans under the Tehnicians, Scheme of the corporation is as low as 5 per cent during the first two years and 9-1/2 per cent thereafter. The repayment is spread over 16 half-yearly instalments after a moratorium of two years.

The corporation has already assisted 594 projects under the Techncians' Scheme, amounting to a total financial commitment of Rs 4.31 crores. To avail of the assistance, a technician has to bring only a viable project.

In order to see that the rural areas get servicing facilities, the GIIC has started the Rural Workshops Scheme. The rural workshops thus established—about 150 in number — throughout the state would provide facilities for repairs and maintenance of tractors, oil engines and pumps, drilling equipment and automobile engines. This is a novel experiment and it is anticipated that, with the establishment of rural workshops, a climate for industrial activity would be generated in the rural areas. It would not be surprising if these rural workshops form a potent nucleus of a strong industrial base in the rural sector of the economy in the next few years.

Under this scheme, an entrepreneur is provided with all fixed assets and the rate of interest and other conditions are on par with the popular Technicians' Scheme of the corporation. A total of 149 such rural workshops have been so far sanctioned involving a total financial assistance of about Rs 35 lakhs.

The face of Gujarat has perceptibly changed, bringing gainful employment to its people and raising their standard of living. From out of an essentially mercantile community of capable businessmen who have made their mark in trade and commerce a new rank of entrepreneurs is emerging. One cannot miss the now familiar sights of Vapi, Makarpura, Nandesari, Kalol Gondal and numerous other areas—hitherto unknown and unmarked in the industrial map of Gujarat—now vying for a pride of place with the establishment of chemical, engineering, electronic and other industrial units.

Financial Collaboration

In yet another dimension of its investment activity, the GIIC has entered the project field directly by launching on industrial projects either by itself or in financial collaboration with other business houses. The concept of the joint sector in industrial promotion has now come to stay. The GIIC has already secured letters of intent for the projects of fuel injection equipment, fuel injection test benches and automobile tyres and tubes.

The GIIC's humble contribution in this great adventure of entrepreneurship in Gujarat can best be assessed by the results. A sense of satisfaction, however, emerges and cannot be restrained while numerous units are seen growing and prospering, sometimes beyond all expectations. The corporation has now become a partner in the great progress achieved in the state. In providing financial assistance of about Rs 16 crores, the GIIC has helped generate a capital investment of around Rs 75 crores. It has enabled the prospective entrepreneurs to identify new projects with the help of the excellent expertise under its command and has started training the new entrepreneurs in batches of 50 per session of 90 days under its Entrepreneurship Development Programme.

The accent, today, is on need-based finance and the GIIC has fruitfully endeavoured to place its investible funds in the hands of those who will build the state into a gigantic industrial complex.

WINDOW ON THE WORLD

European Technological Cooperation : I

JOSSLEYN HENNESSY

LONDON:

VARIOUS WAYS TRIED OUT

THE HISTORY of technological co-operation has disappointed the advocates of European integration. In no field are the advantages of scale, which the larger market that Europe can offer, more obvious than in the technologically-advanced industries, with their huge development costs — but nowhere have national rivalries and differences of interest blocked progress more.

Various formulae have been tried, ranging from limited link-ups between two companies engaged in a joint project to setting up a permanent organisation such as Euratom, with what seemed at the time sweeping powers to shape the future of Europe's industries. None of the formulae have fully achieved what they hoped to attain; some have even ended in failure.

We look first at the various attempts made by companies and governments towards a more integrated structure in Europe's technological industries, at the problems which these efforts have faced and at the results achieved. We look at the aircraft, space and nuclear power industries and examine their progress. Not only do these industries face slightly different technical problems, they have also used different organisational structures for their co-operation. The aircraft industry has relied on *ad hoc* agreements on specific projects, with no attempt to move on to closer, more permanent relations. In space, a multilateral inter-governmental agency has been set up, under close control from national governments. In nuclear power, in theory at least, there has been a pooling of efforts in a common programme run by a strong executive. We also examine the prospects for the future, and in particular the EEC Commission's plans for a new Common Market policy on technology, and at the 15-nation COST group, which is working on seven main areas of co-operation, including the key computer industry.

Aircraft Industry

The aircraft industry saw the first steps towards co-operation between western European companies, and it is still the industry which has the most impressive list of hardware to show for all the efforts made in technology. Starting with the Transall and the Breguet Atlantique in the late 1950s, a range of aircraft, both civil and military, have been constructed in a series of joint ventures. The outstandng example is the Anglo-French Concorde.

But the European aircraft industry has also built, or is building, a jet trainer (Jaguar), an advanced fighter bomber (the Multi-Role Combat Aircraft — MRCA), two short-range airliners for feeder services (the Fokker Friendship and Fellowship), and a large short-haul airliner (the A-300B Airbus). Except for a possible French scheme for a variable geometry aircraft, which would compete with the MRCA, there is no major project under way in Europe which does not involve the participation of more than one country.

Serious Drawbacks

The structure of Europe's aircraft industry has been little affected by this co-operation between the UK and France, which really flowered after the cancellation of the TSR-2, Britain's last effort to go it alone in producing a major military plane. But in the late 1960s, the UK restructured its air engine industry, and France its airframe makers: neither looked across the Channel to see what effect these moves would have on its partners If the current joint projects were ended tomorrow, the European aircraft industry would find itself with its nationally-based structure virtually unchanged after 13 years of working together. This is because of the form which co-operation has taken — purely *ad hoc* link-ups, created for a project and dissolved as soon as it is completed. The formula has enabled work to be done without raising fears that national control over the aircraft industry was being transferred to some distant European body.

But this state of affairs is expensive and stupid: programmes have often been undertaken without either side clearly spelling out what its needs were, only to find half-way through the project that two different conceptions clashed. One example is the abortive plan for a Franco-British swing-wing or variable-geometry aircraft, first mentinoed in joint talks in May, 1965. Although both countries declared themselves in principle in favour of the aircraft, it was not until January 1967 that work began on the prototype. The interval was spent increasing the aircraft's capability and cost, as it was modified to meet first British and then French demands. The French were looking for an interceptor with rapid climb; the British wanted a replacement for the TSR-2 which they had been forced to cancel. At the same time both countries hoped that they would be able to persuade the other air forces of western Europe to buy the aircraft as a replacement for the ageing Lockheed F-104 fighter. The various modifications made to try to reconcile all these interests boosted costs from an estimated $560 million in 1966 to $840 million in 1967. Before the project had got off the drawing board, Dassault, a French firm not involved in the project, had its own variable-geometry aircraft in the air!

Delays and Indecision

Too much should not be made of extent to which costs spiral when projects are carried out by consortia from two or more countries: this happened in the USA to the F-111, where attempts to meet both air force and navy requirements led costs to spiral wildly. But the need to negotiate to form a new consortium, before any new project can begin, clearly affects the time which a project takes from first design to production.

This is of even greater importance in civil than military aircraft. According to evidence presented to the Elstub committee on the British aircraft industry, a reputation for lateness is the industry's biggest sales handicap, and yet the plans for a European airbus, which the UK recently said that it will not support financially, is little further advanced than when first proposed in 1965. Since then the project has been scaled up (to meet West German demands for a 300-seater), scaled down (to meet BEA wishes), has been proposed with four engines and with two, given engines by Rolls Royce and Pratt and Whitney, and seen one of its main prospective customers (BEA) make it clear that it wanted nothing better than to see the whole project dropped! During this time only the name remained unchanged!

The project is now likely to go ahead with French and West German government backing and small-scale private participation from Hawker Siddeley but a large share of the estimated market of 800 planes by the 1980's now

seems certain to be swept up by the airbus US competitors.

II
MULTI-ROLE COMBAT AIRCRAFT

In contrast, there are, however, two projects of the aircraft industry which, at least in terms of co-operation in the design and production of aircraft look likely to be successes: Concorde and the Multi-Role Combat Aircraft (MRCA).

For what is the most advanced project in western Europe, the structure used to set up the Concorde project is surprisingly simple. The plane is being developed under a joint contract from the French and British governments, with Sud Aviation, the French state-owned airframe firm, responsible for 60 per cent of the work on the airframe, and BAC for 40 per cent. The engines are being developed by Rolls Royce, which took over the project when it bought up Bristol Siddeley, and SNECMA of France. On the engines, the British company has design leadership with 60 per cent of the work.

Flaws in Agreement

The contract to build Concorde was hurriedly signed in 1962, at the time of Britain's first application to join the EEC. Flaws soon appeared in the agreement over commercial control. The most obvious is that the contract contains no provisions for scrapping the project if one of the parties so wishes: when the Labour government took office in 1964, it could not cancel the project without paying huge compensation, although development costs had risen far above the original estimates of $400 million. Finance is another problem. Each country was supposed to pay half the cost, but signs that the UK has, in fact, paid more than half have led to criticism by the House of Commons Public Accounts Committee.

Despite these criticisms, Concorde seems certain to be a technical success *if* it is allowed to be built. Although the difficulties of joint production have pushed up costs by about 10 per cent, the experience has led on to more advanced forms of co-operations as, for example, in the Jaguar project. A joint Anglo-French management committee runs the Jaguar project, which will cost an estimated $250 million to develop. Joint development companies have been set up for the airframe (Breguet and BAC) and the engine (Rolls Royce and Turbo Meça).

Even more advanced is the structure used for the MRCA project, the successor to the Anglo-French variable geometry machine. BAC, Messerschmitt-Bolkow and Fiat have set up Panavia — a joint company. The significance of Panavia is that for the first time a company established to run a project looks like taking on a life of its own which may outlive the project and move on to others.

III
SPACE SATELLITE PROJECTS

In December, the UK government confirmed that it would take part neither in a European participation in the US Space Administration's post-Apollo programme nor in plans to develop a European launcher to put satellites in orbit. This decision was the end of a process of disengagement from the European attempts at a common space effort, begun at British insistence in 1961.

The European Launcher Development Organisation (ELDO) was conceived by the UK in 1961 as a way of using the Blue Streak rocket originally intended as a ballistic missile. The six EEC countries and Australia joined in and a secretariat was set up. All important decisions, such as the placing of contracts, required unanimity. Other decisions needed the backing of countries whose contributions to the budget added up to at least 85 per cent of the total. The UK paid the largest share of the budget, and in return was given the contract for the first and biggest stage of the three-stage launcher. The second stage was to be designed by the French and the third by the West Germans.

The first problems emerged in 1965 when the French called for the programme to be scrapped and replaced by a larger, more ambitious, project. Nothing was done about this, but in 1966 the UK government again questioned the system because of ever-increasing costs. The crisis was solved by re-apportioning the bill, but one basic problem remained : although Europe was busy working on a space launcher, nobody was sure what exactly it was intended to launch!

This mildly important doubt reflected the fragmentation of the space effort, for runing parallel to ELDO was ESRO, the European Space Research Organisation. The ESRO was concerned with more strictly scientific matters than ELDO, and its constitution reflected less concern on the part of its members that they should get a fair return on the money invested. Contracts are given to the lowest bidder, rather than on the proportionate size of each partner's contribution to financing the scheme and many decisions can be taken by simple majority. But although ESRO is in many ways a more fruitful model than ELDO, its results have been meagre, partly because of lack of co-ordination with the launcher programme.

The limited results of ELDO have led France to go off to work on space research on its own. The French also tried—with little success— to work with the West Germans on the development of a communications satellite.

It is in communications satellites that the hopes of a commercial return on investment in space lie. The ESRO is now committed to put communications satellites into orbit, but the British favour using American launchers, while the French and West Germans fear that the USA will try to attach strings to any sales of launching equipment. This conflict, which came to a head at the December, 1970, meeting of ESRO, must hamper progress gravely, even though agreement has now been reached to merge ESRO and ELDO, giving Europe for the first time a single agency responsible for space.

European Space Programme

So far, despite frequent discussion of the advantages to be gained from a European space programme capable of launching communication satellites, no European space industry of any significance has emerged. But the means used to run such programmes as have been carried out seem to have been chosen to guarantee the minimum of return!

The use of an intergovernmental agency, such as ELDO, was bound to make meeting pressures from national governments the main object of the exercise. The concept of "fair return", which means giving the contract for the work to the country which is paying for it, is a sure formula for making certain that efficiency plays little part in deciding how the contract is carried out. The lack of any clear goals has meant that there has been an excessive concentration on vague talk of "spin-off" without any real examination of how this is to take place. And the split between ELDO and ESRO has meant that one was designing launchers, *without knowing what they were meant to launch into space*, while the other was planning experiments, which were found *to need American launchers if they were to get off the ground!* (As Puck says in Shakespeare's *Midsummer Night's Dream*: "Lord! What fools these mortals be!").

The big lesson which space research should teach those concerned with planning co-operation between European in-

dustries is that the aim of co-operation should not be to aid the national industries of one's own country but to work jointly towards a goal common to all the participating countries.

In the present situation it is not surprising that France should have decided on its own separate national programme as a way of boosting French influence in ESRO. In terms of aiding their industry, the French got away with it. France has received contracts from ESRO worth twice its contribution, largely because of the skill which its own national programme has given French industry. Such nationalist action, however, makes no industrial sense. In the space industry, only the French have tried to run a significant national programme alongside the joint programme. In atomic energy, once the great hope of advocates of co-operation, each country has insisted on giving priority to its own national programme — with disastrous results.

Sources and acknowledgements: This is the first of two articles summarising an exclusive report in the current issue of *European Trends*, published quarterly, to subscribers only, by the Economist Intelligence Unit (27 St. James's Place, London S.W.1), but the EIU is responsible neither for the emphasis of my summary nor for my comments, based on a variety of sources. The second and concluding article on the dilemma of European technological co-operation will appear in these columns next week and will mainly deal with Europe's biggest failure in co-operation: Euratom.

Monetary Concerns

E. B. BROOK

VIENNA:

THE LATTER half of April saw an intensification in Europe of efforts to control the menace of excessive inflow of dollars from the United States. At the same time, another long-standing financial hostility revived in French efforts to gain support for insistence that British sterling balances should be progressively decreased so as to diminish its role as an international reserve currency. Almost simultaneously the German mark began to emerge as a third world reserve currency, supplementing the dollar and the pound.

These movements in currency diplomacy, centred in Basle where the central banks of major industrial countries met, in Brussels where Common Market monetary officials conferred, and at a meeting of American and European bankers in Florida, emphasize international alarm over the dollar's threat to currency values and the resurgent trial of strength between the pound, the mark and the French franc. One outcome of these tensions appears likely to be a revival in the importance and the international financial role of gold.

Outflow of Dollars

European bankers have spoken very frankly in the USA about their concern over the outflow of dollars from the USA, the continuing US balance of payments deficit and the continuing inflation in the USA which, meanwhile, President Nixon has declared to have passed its peak. The Governor of the Bank of England told the Bankers' Club in Chicago of the danger that the dollar outflow to Europe might go too fast and too far, though he acknowledged that the recent institution of US treasury certificates for Eurodollars was a clear sign that the US Administration was concerned also about the country's balance of payments. In Florida, M. Raymond Barre, Vice-Chairman of the Common Market's Executive Commission, expressed less assurance and spoke of the probability that persistent and large payments deficits might lead to an inconvertibility of the US dollar against gold, followed by a general reconsideration of all parities.

Constructive View

A more constructive view was meanwhile being expressed in Stuttgart by the Managing Director of the International Monetary Fund, Mr Schweitzer, who suggested that governments could help control large international movements of capital, such as the US dollar inflow, by making more use of their tax policies to influence domestic economic trends and by making greater effort toward an international reconciliation of monetary policies. Fiscal rather than monetary stimulation would be the most effective method for countries, such as the USA, with a weak payments position to adopt. The most urgent problem in the USA, said Mr Schweitzer, was to restore its cost and price stability. On this adjustment fundamentally depended not only the US balance of payments but the sound functioning of the international monetary system.

These expressions of concern were made at a time when both European bankers and the US Treasury were trying to increase their influence over the volatile Eurodollars that have been behind the last two months' disorder on the currency exchanges. The German Federal Bank has bought about two billion dollars in forward contracts to put it in a position to push rates up within the next two months; the Eurodollar rate has already moved up one percentage point under pressure from Washington designed to mop up some of the three billion dollars in overseas funds. The raising of the US domestic bank interest rate by one-quarter per cent to 5¼ per cent may also help to attract some dollars back home and the increased flow in April of European purchases of US securities, revealing more European confidence in Wall Street, has helped to create a small counterbalance to the Eurodollar. So far this year nearly two billion dollars of European money have been invested in the USA, a fact suggesting that the investment experts are less nervous than the bankers about monetary stability in the foreseeable future. Investors in London, Paris, Zurich and Frankfurt, in fact, now regard Wall Street a one of the few promising places for short-term placement of their funds. If this European money flow continues into the USA, it could also materially help steady the US balance of payments this year.

Cautious Programme

While the investment men have been moving large funds westwards in expectation of corporate profits of between 10 and 15 per cent, the Germans, whose overseas industrial holdings were confiscated after the last war, have undertaken a cautious new programme of foreign investment. This phenomenon may be no more than temporary, but the possibility that West Germany may be achieving the status of a reserve currency means that it would then be able to export capital since the capital used is added to reserve.

The German development represents a setback to the IMF's 1970 creation of Special Drawing Rights which is based on the principle that world reserves can grow only by international agreement. The Germans, on the contrary, have increased their deposits in London commercial banks from 830 million dollars in 1968 to 2.76 billion dollars at the end of last year and their deposits are still steadily growing there in addition to their massive advance purchase of dollars.

The British, similarly, have been supported by the Common Market monetary officials' decision to renew the 1968 Basle agreement backing sterling for two years without conditions. This Basle agreement, undertaken by 12

nations, would have expired in September and provides a two billion dollar credit to back official central bank holdings of sterling.

The decision is something of a setback to France which has sought to make the reserve role of sterling an issue in the Common Market negotiations with Britain. Since the announcement was made from Brussels, the French Finance Minister has reiterated his insistence that outstanding sterling balances should be progressively decreased. The latest French position is that if Britain will make a simple commitment to reduce the balances, without the necessity of a set schedule of reductions or to make it during the possible five-year transition period before British membership of the Market became total, France would then support the Basle agreement.

The role of sterling and French opposition to maintenance of sterling balances at their present level together with current high British interest rates remain some of the principal obstacles to British membership of the Market and, together with the volume of US dollars in Europe, explain the renewed French insistence on the importance of gold and on an increase in its price —an increase which would be equivalent to devaluing the dollar.

THIS IS ONLY AN ANNOUNCEMENT AND NOT A PROSPECTUS

BIHAR ALLOY STEELS LIMITED

Incorporated under the Companies Act, 1956

Registered Office: Hadley House, Old Hazaribagh Road, RANCHI (BIHAR)

ANNOUNCEMENT REGARDING THE ISSUE OF 36,50,000 EQUITY SHARES OF RS. 10/- EACH AT PAR AND 1,00,000 9.5% REDEEMABLE CUMULATIVE PREFERENCE SHARES OF RS. 100/- EACH AT PAR.

Persons interested in full details may obtain copies of the Prospectus and Application Forms from the Company's Registered Office and from the Offices of the Brokers, Underwriters, Bankers to the Issue mentioned hereafter.

THE SUBSCRIPTION LIST WILL OPEN AT THE COMMENCEMENT OF THE BANKING HOURS ON TUESDAY THE 25TH DAY OF MAY 1971 AND WILL CLOSE AT THE CLOSE OF BANKING HOURS ON FRIDAY THE 28TH DAY OF MAY 1971. THE DIRECTORS AT THEIR DISCRETION, MAY, HOWEVER, CLOSE THE SUBSCRIPTION LIST EARLIER BUT NOT BEFORE THE CLOSE OF BANKING HOURS ON THURSDAY THE 27TH DAY OF MAY 1971.

Activities of the Company and Prospects.

The Company was incorporated on 27th September 1965 at Patna in the State of Bihar, with the objects more fully set out in the Memorandum of Association of the Company, and particularly to carry on business as manufacturers of, dealers in and sellers of all grades, types, qualities, shapes, categories and descriptions of alloy, tool and special steels. The immediate main object is to set up with the assistance of foreign Technical Collaborators Societe des Forges et Ateliers du Creusot of Paris, France, now amalgamated with Compagnie des Ateliers et Forges de la Loire and known as Creusot Loire, a plant for the production of alloy, tool and special steels at Patratu near Ranchi in the State of Bihar, with a licensed capacity to manufacture 36,000 tonnes per annum of alloy constructional steels and 4,000 tonnes per annum of alloy tool steels and high speed tool steels. The Company obtained the certificate of commencement of business on 28th December 1965.

Alloy, tool and special steels are the key materials required for the manufacture of equipment, tools and critical components in various types of industrial machinery, defence equipment, transport facilities, etc., all of which have a large growth potential. It being a field requiring specialised knowledge and sophisticated technology, our country has so far not undertaken the manufacture of alloy steels on a substantial scale, considering the needs of the country. Even today quite some portion of the country's requirement is being met through imports. Recognising the importance of the alloy steels for the nation building, the Government of India has accorded a high priority to the alloy steel industry. The Company therefore expects to have a fairly good future. It is expected to go into production by end of 1973/beginning 1974.

BOARD OF DIRECTORS

1. Shri M.P. Birla (Son of Shri R.D. Birla) Chairman
   17, Gurusaday Road, Calcutta 19.
   Industrialist and Businessman

2. Shri Kashinath Tapuriah (Son of Late Rai Bahadur Moongtulall Tapuriah).
   27/B Camac Street, Calcutta-16.
   Industrialist and Businessman

3. Shri K.N. Mookerjee (Son of late Shri Kshirode Gopal Mookerjee)
   "Leslie House", 19, Jawaharlal Nehru Road, Calcutta-13.
   Industrialist and Businessman

4. Mr. Ph. Boulin (Son of Mr. Raoul Pierre Boulin)
   2 rue de Sontay, 75-Paris 16e, France.
   Industrialist

5. Mr. Michel Collas (Son of Mr. Robert Collas)
   91, rue Jouffroy, 75-Paris 17 eme, France.
   Company Executive

6. Shri Pradeep Harkisondass (Son of late Shri Harkisondass Lukhmidass)
   Sorab Minar, 5, Carmichael Road, Bombay 26.
   Businessman

7. Shri A.M.M. Arunachalam (Son of Dewan Bahadur A.M. Murugappa Chettiar)
   "The Laurels", Chittaranjan Road, Madras 18.
   Industrialist and Businessman

8. Dr. B.C. Jain (Son of late Shri Sukhlal Malviya) Proposed Managing Director
   Lal Bahadur Shastri Marg, Bhandup, Bombay 78.
   Company Executive

ALTERNATE DIRECTORS

1. Mr. Jacques Potel (Son of Mr. Christian Potel)
   7. rue Angelique Verien, 92 Neuilly, France.
   Company Executive—Alternate for Mr. Ph. Boulin

2. Mr. Jacques Nousbaum (Son of Mr. Leon Nousbaum)
   3 rue Cesar Frank, 75, Paris 15e, France.
   Company Executive—Alternate for Mr. Michel Collas

SECRETARY

Shri P.D. Daga, B.Com., LL.B., D.B.M. 11/A Regent Estates, Calcutta 40.

SHARE CAPITAL

AUTHORISED

	Rs.
1,00,00,000 Equity Shares of Rs. 10/- each	10,00,00,000
5,00,000 Redeemable Cumulative Preference Shares of Rs. 100/- each	5,00,00,000
	15,00,00,000

		Rs
(A) Issued Capital :		
70,00,000	Equity Shares of Rs. 10/- each	7,00,00,000
1,00,000	9.5% Redeemable Cumulative Preference Shares of Rs. 100/- each (free of Company's tax, but subject to deduction of taxes at source at the rates prescribed from time to time)	1,00,00,000
		8,00,00,000
(B) Subscribed :		
20,10,000	Equity Shares of Rs. 10/- each	2,01,00,000
(C) Paid up :		
2,50,000	Equity Shares of Rs. 10/- each fully paid up in cash	25,00,000
17,60,000	Equity Shares of Rs. 10/- each on which Rs. 5/- per Share have been paid up in cash	88,00,000
		1,13,00,000
(D) Present Issue :		
49,90,000	Equity Shares of Rs. 10/- each	4.99,00,000
1,00,000	9.5% Redeemable Cumulative Preference Shares of Rs. 100/- each (free of Company's tax, but subject to deduction of taxes at source at the rates prescribed from time to time)	1,00,00,000
		5,99,00,000
(E) Out of the present Issue :		
2,30,000	Equity Shares of Rs. 10/- each have been reserved for allotment to the Industrial Development Bank of India for cash.	23,00,000
1,50,000	Equity Shares of Rs. 10/- each have been reserved for allotment to the Industrial Finance Corporation of India for cash.	15,00,000
1,50,000	Equity Shares of Rs. 10/- each have been reserved for allotment to the Industrial Credit & Investment Corporation of India Ltd. for cash	15,00,000
1,50,000	Equity Shares of Rs. 10/- each have been reserved for allotment to the Unit Trust of India for cash.	15,00,000
1,20,000	Equity Shares of Rs. 10/- each have been reserved for allotment to the Life Insurance Corporation of India for cash.	12,00,000
5,40,000	Equity Shares of Rs. 10/- each of the aggregate value of Rs.54,00,000/- being the rupee equivalent of FF.40,00,000 at the current rate of exchange have been reserved for allotment to the foreign collaborators CREUSOT-LOIRE, Paris for consideration other than cash in relation to the sale and assignment outside India to the Company of the know-how property.	54,00,000
		1,34,00,000

(F) Now offered at par for public subscription for cash in terms of the Prospectus :

		Rs
36,50,000	Equity Shares of Rs. 10/- each	3,65,00,000
1,00,000	9.5% Redeemable Cumulative Preference Shares of Rs. 100/- each (free of company's tax, but subject to deduction of taxes at source at the rates prescribed from time to time)	1,00,00,000
		4,65,00,000

UNDERWRITERS

The entire present issue now offered to the public for subscription has been fully underwritten as follows :

Name and address of the Underwriters	Amount Underwritten Equity Rs.	Preference Rs.
1. Industrial Development Bank of India, New India Centre, 17 Cooperage, Bombay 1.	57,00,000	..
2. Industrial Finance Corporation of India. Bank of Baroda Building, 16, Parliament Street, New Delhi-1.	35,00,000	10,00,000
3. The Industrial Credit & Investment Corporation of India Ltd, 163, Backbay Reclamation, Bombay 20.	25,00,000	10,00,000
4. Life Insurance Corporation of India, "Yogakshema", Madame Cama Road, Bombay 20.	28,00,000	60,00,000
5. Unit Trust of India, Bombay Life Building, 45, Veer Nariman Road, Bombay-1.	35,00,000	20,00,000
6. Harkisondass Lukhmidass, Stock Exchange Building, 5th floor, Apollo Street, Fort, Bombay 1.	65,00,000	..
7. Chimanlal J. Dalal & Co., 107 Stock Exchange New Bldg., Dalal Street, Fort, Bombay 1.	20,00,000	..
8. Navalchand T. Shah & Co., Union Bank Bldg. Dalal Street, Fort, Bombay 1.	15,00,000	..
9. Rasiklal Maneklal & Co. Stock Exchange, Old Building, Dalal Street, Fort, Bombay 1.	12,00,000	..
10. Dhirajlal Maganlal Purshotamdas, Stock Exchange Building, Apollo Street, Fort, Bombay 1.	10,00,000	..
11. Kantilal Purtapshi, 97, Stock Exchange Building, Apollo Street, Fort, Bombay 1.	10,00,000	..
12. Shantilal L. Thar, Aga Khan Building, 9, Dalal Street, Fort, Bombay 1.	10,00,000	..
13. Narottam B. Javeri, 33, Stock Exchange, Apollo Street, Fort, Bombay 1.	10,00,000	..
14. Sushilkumar Baijnath Saboo, Stock Exchange Building, Dalal Street, Fort, Bombay 1.	8,00,000	..
15. S.A. Deshpande & Co. 5-A, Hamam Street, Fort, Bombay 1.	5,00,000	..

		Rs.
16. Batlivala & Karani, Union Bank Building, Dalal Street, Fort, Bombay 1.	5,00,000	..
17. Lewis & Jones, Bank of Baroda Building, Apollo Street, Fort, Bombay 1.	5,00,000	..
18. Harbans Singh Mehta & Co. 33, Regal Buildings, Parliament Street, New Delhi 1.	5,00,000	..
19. Place, Siddons & Gough Pvt. Ltd., 6, Lyons Range, Calcutta 1.	5,00,000	..
	3,65,00,000	1,00,00,000

BROKERS TO THE ISSUE

BOMBAY

1. Harkisondass Lukhmidass, Stock Exchange Building, 5th floor, Apollo Street, Fort. Bombay-1.
2. Chimanlal J. Dalal & Co., 107 Stock Exchange New Bldg. Dalal Street, Fort, Bombay 1.
3. Navalchand T. Shah & Co., Union Bank Building, Dalal Street, Fort, Bombay 1.
4. Rasiklal Maneklal & Co., Stock Exchange Old Building, Dalal Street, Fort, Bombay 1.
5. Dhirajlal Maganlal Purshotamdas, Stock Exchange Building, Apollo Street, Fort, Bombay 1.
6. Kantilal Purtapshi, 97, Stock Exchange Building, Apollo Street, Fort, Bombay 1.
7. Shantilal L. Thar, Aga Khan Building, 9, Dalal Street, Fort, Bombay 1.
8. Narottam B. Javeri, 33, Stock Exchange, Apollo Street, Fort, Bombay 1.
9. Sushilkumar Baijnath Saboo, Stock Exchange Building, Dalal Street, Fort, Bombay 1.
10. S.A. Deshpande & Co. 5-A, Hamam Street, Fort, Bombay 1.
11. Batlivala & Karani, Union Bank Building, Dalal Street, Fort, Bombay 1.
12. Lewis & Jones, Bank of Baroda Building, Apollo Street, Fort Bombay 1.

CALCUTTA

1. Place, Siddons & Gough Private Limited, 6, Lyons Range, Calcutta 1.
2. Stewart & Co., 14, India Exchange Place, Calcutta 1.
3. Chunilal T. Mehta, 8, Lyons Range. Calcutta 1.
4. Jhawar & Co., 7, Lyons Range, Calcutta 1.
5. Kothari & Co., 8, India Exchange Place, Calcutta 1.

MADRAS

1. Patterson & Co, 11/12 Second Line Beach, Madras 1.

DELHI

1. Harbans Singh Mehta & Co., 33, Regal Buildings, Parliament Street, New Delhi 1.
2. H.P. Mehta & Co., 302, Akash Deep, Barakhamba Road, New Delhi 1.

BANGALORE

1. M. Nanjappaiah Jahgirdar, 205, Cavalry Road, Bangalore.

AHMEDABAD

1. Chinubhai Chimanlal Dalal, Muhurat Pole, Manek Chowk, Ahmedabad-1.

BANKERS OF THE COMPANY

1. Bank of India, 70, Mahatma Gandhi Road, Bombay 1.
2. Bank of India, 23 A & B, Netaji Subhas Road. Calcutta 1.
3. United Commercial Bank, 159, Churchgate Reclamation, Bombay 20.
4. United Commercial Bank, 10, Brabourne Road, Calcutta 1.
5. United Commercial Bank, Main Road, Ranchi.

BANKERS TO THE ISSUE

Bank of India and United Commercial Bank at their main offices at

Ahmedabad	Bombay	Bangalore
Calcutta	Chandigarh	Delhi
Hyderabad	Indore	Kanpur
Madras	Nagpur	New Delhi
Patna	Poona	Surat

AUDITORS

Messrs LODHA & Co.,
Chartered Accountants, 14, Government Place East, CALCUTTA-1.

SOLICITORS

1. Messrs. Mulla & Mulla & Craigie Blunt & Caroe, 51, Mahatma Gandhi Road, Bombay 1.
2. Messrs. Khaitan & Co., 1B, Old Post Office Street, Calcutta 1.

APPLICATION AND TERMS OF PAYMENT

Application for shares must be for a minimum of 50 shares or multiples thereof in the case of equity shares and 5 shares or multiples thereof in the case of Preference Shares. Rs 2.50 per share and Rs 25/- per share are payable on application and same amounts on allotments in respect of Equity and Preference shares repectively. Balance of Rs. 5/- per share in the case of equity shares and Rs 50/- per share in case of Preference Shares shall be payable in one or two calls as and when called by the Directors.

PROSPECTUS AND APPLICATION FORMS

Copies of the Prospectus on the basis of which alone the shares will be issued and application forms may be obtained from the Under-writers, the Bankers and Brokers to the issue named herein, from their principal offices and branches mentioned at the above mentioned places and at the Company's Registered Office.


A DRAPE TO BUILD A DREAM ON
Century sarees are the answer to your little day dreams.
So go ahead on a dream spin!
Century sarees are a rage of prints and design together!
Cool as the evening breeze.
Light as air.
Century gives you sarees from 100% pure cotton!
CENTURY SAREES
THE CENTURY SPG. & MFG. CO., LTD.
CENTURY BHAVAN,
WORLI, BOMBAY-25 DD.
Century—For 100% cotton textiles

9. Shri N. SUNDARESWARAN—Cashew Exporter
(Son of Mr. Narayanan),
'Sundara Bhavan',
Asramam, Quilon-2.
10. Shri GEORGE THOMAS—Special Secretary
(Nominee of Kerala Government),
(Son of Mr. George Thomas),
'Villa Lizza'
Trivandrum-3.
11. Mr. G. J. AUBRY—Engineer
(Nominee of Delle-Alsthom)
(Son of Mr. Aubry Raymond)
C/o. Messrs Delle-Alsthom
Villeurbanne,
130, Rue Leon Blum
RHONE (France).
12. Shri REVI KARUNA KARAN—Merchant
(Nominee of Kerala Financial Corpn.)
(Son of late K. C. aruna Karan)
'Shanti Bhavan'
Alleppey.
13. Shri N. A. KRISHNAN—Managing Director (Retd.)
State Bank of India (Nominee of The Industrial Credit & Investment Corpn. of India Ltd)
(Son of Mr. M. A. Narayana Iyer)
307, 40th cross, 8th Block,
Jayanagar, Bangalore-41.
14. Shri K. P. SHREEDHARAN NAIR—Engineer
(Son of late N. Kumara Pillai),
24, Sundar Nagar,
New Delhi-3.
15. Shri B.V.D. MENON—Engineer
Managing Director,
(Son of late T.K. Balakrishna Menon)
'Bhakti Vilas',
Kalamassery P.O.,
Alwaye.

SHARE CAPITAL

Authorised :

		Rs.
50,00,000	Equity shares of Rs. 10/- each	5,00,00,000
2,00,000	9.5% Redeemable Cumulative Preference Shares of Rs. 100/- each	2,00,00,000
		7,00,00,000

Issued :

26,99,264	Equity Shares of Rs. 10/- each and	2,69,92,640
84,857	Redeemable Cumulative Preference shares of Rs 100/- each with participating rights.	84,85,700
		3,54,78,340

Subscribed :

26,99,264	Equity shares of Rs. 10/- each	2,69,92,640
84,601	Redeemable Cumulative preference shares of Rs. 100/- each with participating rights	84,60,100
		3,54,52,740

Paid-Up :

		Rs.
26,99,264	Equity Shares of Rs. 10/- each Rs. 2,69,92,640 *Less* : Calls in arrears Rs. 220	2,69,92,420
	(of the above 289,285 Equity shares were allotted as fully paid-up by way of bonus shares by capitalisation of share premium account; 153,551 Equity shares were allotted for consideration other than cash to Collaborators for Switchgear manufacture—DELLE-ALSTHOM of France, towards part payment of engineering charges and know-how fees and import of capital goods).	
84,601	Redeemable Cumulative Preference shares of Rs 100/- each with participating rights Rs. 84.60,100 *Less*: Calls in arrears Rs. 17,800	84,42,300
		3,54,34,720

PRESENT ISSUE

65,000—8% (subject to tax) First Mortgage Registered Debentures of Rs. 100/- each at par for cash payable in full on application or in case any holder of the existing Debentures of aggregate value of Rs. 13 lakhs wishes to surrender any of such Debentures held by him in exchange for equivalent face value of the Debentures of the present issue, then on his surrendering the same along with the application.

Application for Debentures must be for a minimum of 5 Debentures or multiples of 5 Debentures. All applications must be made on the form accompanying the Prospectus.

The application forms duly completed together with cheques or drafts for the amount of Rs. 100/- per Debenture payable in full on application must be delivered before the closing of the subscription list to any of the Company's Bankers to the Issue mentioned in the Prospectus.

UNDERWRITERS

Name and Address of the Underwriters	Amount Under-written Rs.
1. The Industrial Development Bank of India, New India Centre, 17, Cooperage, Bombay-1	45,00,000
2. Life Insurance Corporation of India, 'Yogakshema', Jeevan Bima Marg, Bombay-20	10,00.000
3. Unit Trust of India, Bombay Life Building, 45, Veer Nariman Road, Post Box No. 2000, Bombay-1.	10,00,000
	65,00,000

BANKERS TO THE COMPANY

1. State Bank of Travancore, Marikar Buildings (Statue), Trivandrum , Kerala State.
2. Punjab National Bank, Sambalpur, Orissa State.
3. Indian Bank, 11/61, Bridge Road, Mattancherry, Cochin-2, Kerala State.
4. Canara Bank, Abid Road Branch, 4-1-954, M.G. Road, Hyderabad, Andhra Pradesh.
5. Bank of Baroda, 24, Beach Road, Post Box No. 127, Quilon-1, Kerala State.
6. Union Bank of India, 2-138, D, Mattancherry, Cochin-2 Kerala State.

BANKERS TO THE ISSUE

1. State Bank of Travancore, Marikar Buildings (Statue), Trivandrum, Kerala State.

2. Punjab National Bank, Sambalpur, Orissa State.
3. Bank of Baroda, 24, Beach Road, Post Box No. 127, Quilon-1, Kerala State.

DEBENTURE TRUSTEE FOR THE EXISTING DEBENTURES

Shri Bikkani Venkataratnam, Chodavaram, Ramachandrapuram Taluk, East Godavari Dist., Andhra Pradesh.

DEBENTURE TRUSTEE FOR THE DEBENTURES NOW BEING ISSUED

Bank of Baroda, 12, Apollo Street, Bombay-1.

AUDITORS

1. Messrs T. Velu Pillai & Co., Chartered Accountants, 'Enterprise', Palace Ward, Alwaye, Kerala State.
2. Messrs K. Venkatachalam Aiyer & Co., Chartered Accountants, 'Sriniketan', Chettikulangara, Trivandrum-1, Kerala State.

LEGAL ADVISERS

1. Messrs Menon & Pai, Advocates, Post Box No. 1761, Ernakulam, Cochin-16, Kerala State.
2. Messrs R. Narasimhachariar & N. Varadarajan, Advocates, 'Saranath', No. 4, Dr. Rangachari Road, Mylapre, Madras, Tamilnadu.

BROKERS

Madras

1. Messrs Chitra & Co., Post Box No. 1557, 322-323, Linghi Chetty St., Madras-1.
2. Messrs Paterson & Co., Vanguard Insurance Bldg., 3rd Floor, 11-12, Second Line Beach, Madras-1.

Bombay

1. Messrs Champaklal Devidas, Bhupen Chambers, Dalal Street, Fort, Bombay-1.
2. Messrs P. R. Subramanyam & Sons, 70-A, Stock Exchange Bldg., Apollo Street, Fort, Bombay-1.

Bangalore

Messrs Nanjappaiah Jahgirdar, 205, Cavalry Road, Bangalore-42.

Calcutta

Messrs Place, Siddons & Gough (P) Ltd., 6, Lyons Range, Calcutta-1.

New Delhi

Messrs Jalan & Co., Stock Exchange Bldg, Asaf Ali Road, New Delhi.

Ahmedabad

Messrs Chinubhai Chimanlal Dalal, Fatehbhai's Haveli, Ratanpole, Ahmedabad-1.

Hyderabad

Mr. P. B. Afzulpurkar, Sultan Bazar, Hyderabad, Andhra Pradesh.

PROSPECTUS AND APPLICATION FORM

Copies of Prospectus and Application form can be obtained from the Registered office of the Company, the Company's Underwriters, Brokers and Bankers to the Issue at the branches of the banks mentioned below during office hours on working days for the duration the subscription list is open :

1. STATE BANK OF TRAVANCORE—Bombay, Calicut, Cochin, Kundara, Madras, Palghat, Quilon and Trivandrum.
2. PUNJAB NATIONAL BANK—Ahmedabad (Maskati Market), Calcutta (Brabourne Road), Baroda (Raopura), Bangalore City, Bombay, Coimbatore, Cuttack, Delhi Cantt., Hyderabad, Indore, Lucknow, Madras, Mysore, Poona City, Patna City, Ranchi, Sambalpur and Vijayawada.
3. BANK OF BARODA—Ahmedabad, Bombay, Bangalore, Baroda, Calcutta, Cochin, Coimbatore, Hyderabad, Indore, Madurai, Madras, New Delhi, Poona City, Quilon, Trivandrum and Tiruchirapalli.

DATE OF OPENING AND CLOSING OF SUBSCRIPTION LIST

THE SUBSCRIPTION LIST WILL OPEN AT THE COMMENCEMENT OF BANKING HOURS ON MONDAY, THE 24TH MAY, 1971 AND WILL CLOSE AT THE CLOSE OF BANKING HOURS ON FRIDAY, THE 4TH JUNE 1971, OR EARLIER AT THE DISCRETION OF THE DIRECTORS BUT NOT EARLIER THAN THE CLOSE OF BANKING HOURS ON WEDNESDAY THE 2ND JUNE 1971.

Trade Winds

CURRENCY CRISIS

THE CURRENCY crisis in the west, which has led to the members of the European Economic Community to allow West Germany to float the D'mark, is being watched with keen interest here. Along with the D'mark, two other EEC currencies — those of Belgium and Holland — will also float. The floating of the three currencies means that whereas their par value in terms of the US dollar will be maintained for all official transactions, speculative movements of capital from the US to Europe, which is the main cause for the current crisis in the west, will be allowed to take place at rates determined by supply and demand for these currencies. Two other west European countries, namely, Switzerland and Austria, have revalued their currencies. The Swiss franc has been revalued by some seven per cent and the Austrian schilling by about five per cent.

The D'mark has been allowed to float for a few weeks. This is because if it is allowed to float for a longer period, it may lead to an inordinate postponement of the integration of the EEC currencies the beginning for which end is to be made in the middle of next month. The floating of the D'mark, it is felt here, may ultimately lead to its revaluation. A similar procedure, it is recalled, was adopted by West Germany when it revalued its currency about 18 months ago.

So far as the impact of the western currency crisis on India is concerned, the consensus appears to be that until the par value of any currency is changed, the effect on our country may not be significant. A revaluation of the D'mark or a consistent appreciation in its value as a result of its being allowed to float will make our exports to West Germany cheaper; they may, therefore, get some fillip. Our imports from West Germany, on the other hand, will become dearer. A decision of the west European countries to have a joint control over capital movements from the United States is not likely to affect us at all, as we are already having a system of control over such movements.

REALLOCATED PORTFOLIOS

A recent notification issued by the union government has made it clear that most of the functions hitherto performed by the Planning Commission will now be the responsibility of the Planning Ministry headed by Mr C. Subramaniam. The notification lists the following functions for the Ministry for Planning. (1) Assessment of the material, capital and human resources of the country, including technical personnel, formulation of proposals for augmenting such of these resources as are found to be deficient. (2) Formulation of plans for the most effective and balanced utilisation of the country's resources. (3) Definition of stages in which the Plan should be carried out on a determination of priorities and allocation of resources for completion of each stage. (4) Determination of the nature of the machinery necessary for the implementation of the Plan in all its aspects. (5) Appraisal from time to time of the progress achieved in the execution of each stage of the Plan. (6) Public co-operation in national development. (7) Prespective Planning. The Ministry of Planning, it says, will be concerned broadly with technical questions relating to planning and the planning organization itself. The policy and details of specific schemes included in the Plan are matters to be dealt with by the central administrative ministries and state governments. The Ministry of Steel will have the additional charge of "Mines", so far part of Petroleum and Chemicals. The appointment of judges and other related matters will now be the concern of the Law Ministry of the Department of Justice, and not of the Home Ministry, as was the case so far. The Department of Justice will now deal with appointments, resignations and removals of the Chief Justice and judges of the Supreme Court and high courts, their salaries, rights, pensions and travelling allowance, constitution and organisation of the Supreme Court, the high courts and the courts of judicial commissioners, administration of the Notaries Act, 1952, administration of justice and organization of courts in the union territories and court fees and stamp duties in the union territories. Separate departments of Culture and of Science and Technology have been constituted under the new scheme. The Department of Culture has been placed in the charge of the Minister of Fducation and Social Welfare. The Minister of Planning will hold concurrent charge of the Department of Science and Technology, which was hitherto part of the Cabinet Secretariat. The Cabinet Secretariat will now have four departments instead of five, namely Cabinet Affairs, Electronics, Personnel and Statistics. The old Ministry of Food and Agriculture will not be there. Its place will be taken by the "Ministry of Agriculture" which will have four departments, agriculture, food, community development and co-operation. The Ministry of Education and Social Welfare will be bigger now with the addition of the Department of Social Welfare.

CONSULTANCY TEAM ABROAD

A four-member team, representing leading consultancy interests in the country, led by Mr K. Matthan of Tata Consulting Engineers, went recently on a tour of some south-east Asian countries including Indonesia and the Philippines. The team will discuss with various governments and private organisations in each of the countries, the possibilities of India meeting their requirements of consultancy services in the metallurgical, chemical and power engineering sectors, besides establishing contacts with various international and national organisations in these countries. The team will conclude contracts wherever possible. Since Manila and Bangkok are also the headquarters of the Asian Development Bank and

Eastern Economist 25 Years Ago

MAY 17, 1946

Increasing pressure is being brought on the Government to end their system of economic controls which, whatever their justification during the war and however readily and willingly tolerated and accepted owing to the imperative need to fight the enemy, are now felt to be oppressive, cruel, inequitable, dilatory and liable to favouritism and corruption. In particular, the lack of any principles governing import licences has been severely criticized and the department concerned has been justly attacked on grounds of favouritism, corruption and delay. Much the same type of criticism could be levelled against every other type of control which originating during the war is now continuing in a somewhat less rigid form. Wartime controls in India were not bad in principle: They were as necessary here as in other countries. But they were vitiated by lack of clear policy, imposition from the British Government and a corrupt and inefficient administrative personnel. The instruments of execution of control were predominantly British officials who all along had British, not Indian interest in view. Subject to the overriding importance of winning the war, they did everything to prevent the strengthening of Indian economic potential.

ECAFE, the team will have discussions with these institutions also. The team has been sponsored by the Federation of Indian Engineering Organisations in consultation with the Ministry of Foreign Trade. The members of the team are Mr K. Matthan of Tata Consulting Engineers, Mr S. Banerji of Chemical and Metallurgical Design Company, Mr M.B. Silgarde of Hindustan Steel and Mr A.K. Vaish, Deputy Secretary, FIEO.

DIRECT TAX REVENUES UP

Direct tax collections in 1970-71 were Rs 43 crores higher than in the previous year. Income-tax, corporation tax, estate duty, gift tax and wealth tax have together yielded Rs 854 crores as against Rs 811 crores in 1969-70. Of the total direct tax revenues, income-tax (including corporation tax) accounted for about Rs 828.38 crores – rise of about Rs 41.38 crores over the collections in 1969-70. This was because of better industrial activity during the year and special efforts for collection made by the Income-tax department. Also during the year, outstanding gross income-tax demand (which includes demands not fallen due for payment, demands awaiting adjustment and demands covered by stay orders or instalment schemes) decreased by 11 per cent. From about Rs 821.71 crores at the beginning of the year, the gross sum came down to about Rs 730.90 crores by the end of 1970-71. For the past three years, the gross demand had been going up by about 10 per cent. The pendency of income-tax assessments showed a modest reduction of 122,000 —from 1.32 million to 1.20 million. The number of income-tax payers crossed the 3 million mark. It went up from 2.91 million at the beginning of 1970-71 to 3.04 million at the end of February this year.

RAILWAY PASSENGER TRAFFIC

Passenger traffic on the Indian Railways has shown satisfactory growth during February, 1971, the approximate number of passengers booked being 1.42 per cent more than in February, 1970. The total number booked from April 1 to February 28, 1971 was 4.80 per cent more than during the corresponding period of last year, and 1.8 per cent more than the proportionate budget target. The revenue-earning freight traffic of the railways in February, 1971 was 13.4 million tonnes, which indicates a decrease of about 0.62 million tonnes compared to February last year, and a shortfall of 1.20 million tonnes as compared to the proportionate budget target fixed by the railways. The total revenue-earning tonnage lifted by the railways from April 1, 1970 upto the February 28, 1971 was 151.5 million tonnes, representing a shortfall of 4.7 million tonnes as compared to previous year and 11.61 million tonnes against the proportionate budget target. The cumulative shortfall has been in respect of coal for steel plants, washeries and other public users.

IMPORT SUBSTITUTION AWARDS

The board on awards for import substitution has announced 18 awards for substitution of 18 imported items. These awards are being made twice a year. The present list includes three cash awards totalling Rs 3,500 besides one silver shield, 5 bronze shields and 9 certificates of merit. No gold shield has been awarded this time.

Institutional Awards : (1) Silver shield is awarded to Bharat Industrial Corporation, Calcutta for indigenous development of a briquetting plant for making low priced fuel briquettes from coal dust for house-hold use. (2) Messrs Masvy & Co. Pvt. Ltd of Poona get a bronze shield for developing an Aero-engine Removal and Transportation Stand meant for overhaul and repair of Boeing aircraft engines. (3) Messrs Instrumentation Ltd of Kota (Rajasthan) have been awarded a bronze shield for substituting throw-away thermocouples suitable for steel industries and high temperature furnaces. (4) Messrs Mukand Iron & Steel Works Ltd of Bombay also get a bronze shield for indigenously deloping thermocouples of special composition. (5) Messrs Industrial Electronics Pvt. Ltd, Bangalore has won a bronze shield for substituting micro limit electronic comparator comprising a measuring shie'd for linear motion, a highly stabilized oscillator, an amplifier, a phase-sensitive detector and a meter for visual indication. (6) Messrs National Fluorine Corporation, Thana (Maharashtra) have been awarded a bronze shiled for developing indigeous know-how and plants for the manufacture of a number of inorganic fluorine compounds.

Individual Awards: (7) Dr Mohamad Khalilullah of Poona has been awarded Rs 1,500 for developing a cardiac monitor, an audio-visual indicator and alarm system for heart pulses. (8) Dr Mohamad Khalilullah gets another award of Rs 1,000 for developing a cardiac pulse generator (pacemaker), useful for patients suffering from heart attacks. (9) Mr Amiya Kumar Chakrabarti of Hindustan Steel Ltd, Durgapur has won an award of Rs 1,000 for developing a magnetic particle testing machine suitable for testing heavy castings.

Certicates of Merit have been awarded to: (i) Messrs. J.C. Malhotra, N.S. Gill, I.S. Sood, B.M. Gupta and Ram Parkash of Beas Dam Project, Punjab for developing a Belt Loader; (ii) Messrs V. Nagaraju, R.N. Sin and N.C.F. Shah of MERDO (OMERI), Madras for substituting Cable Stranding Machines; (iii) Mr N.N. Rao of Poona for substituting 600 h.p. Hydraulic Dynamo Meter; (iv) Mr S.I. Sanklecha of Ahmednagar (Maharashtra) for substituting "Flourflux" Fluorecent Electromagnetic Ink for magnetic crack detectors; (v) Lathia Industrial Supplies Co. Pvt. Ltd of Ahmedabad for developing Rubber Sleeves for Evaset Shrinking Range; (vi) Col. V.S. Sharma and Messrs G.S. Dhami and T.G. Singh of ARDE, Poona for developing know-how for making Lead Zirconate Titanate; (vii) Mr Jagdish Hooja of Jaipur for developing heat and pressure sensitive Recording Paper for ballastic tests; (viii) Messrs C. Viswanadhan and W.C. Jacob Carvalho of Bombay for substituting Centrifugal Molecular Still CVS-12 and High Vacuum Pump Fluids; (ix) Messrs B.M. Banjerjee, V.B. Tandon, O.P. Gupta and S.C. Chakravarti of DRL (M), Kanpur for indigenous production of Anti-chap Lip salve, a substitute of imported lipstick.

UTMAL

UTMAL, a joint venture of Larsen & Toubro and West German companies GHH, Voith and Koppers at Kansbahal, Orissa, has been entrusted, for

the first time, with the supply of an integrated pulp and paper mill for Straw Products Ltd, Rayaghada, Orissa, to be commissioned early next year. The total imported components for the entire project are expected not to exceed 40 per cent of the total value. This mill is being built to the specifications of M/s Voith of West Germany. UTMAL has also secured an order for a large butterfly valve for the Lower Sileru Project in Andhra Pradesh. It has also received an order from Durgapur steel plant for 15 sophisticated ladle carriages of pneumatic tilting type for transportation of slag to the granulation site.

ALUMINIUM WIRES

Overhead copper wires on the railways are to be replaced by aluminium wires in a phased programme. Because of the high price of copper, these wires are being regularly stolen by organised gangs of thieves. Railway communications are thrown out of gear as a result. Aluminium wires, also called ACSR wires, have steel encasement and have the same transmission characteristics as copper. They are also cheaper and less vulnerable to thefts. This replacement work has already been completed on some sections of the railways like Moradabad-Rosa, Saharanpur-Moradabad, Izatnagar-Kasganj, Salem-Bangalore and Jhund-Kandla. Work is in progress on 4,484 route kilometres, which will cost Rs 4.32 crores. Another 2,042 kilometres will be covered in 1971-72.

TRADE WITH FRANCE

The Indo-French Economic Commission met in New Delhi recently and decided to renew the trade arrangement for a period of one year from January 1, 1971. Various questions relating to the development of trade and expansion of economic, technical and industrial co-operation between the two countries were examined by the two delegations. Avenues for closer co-operation between the two countries in these fields were explored.

The protocol signed recently provided for quotas for some of the Indian products which were subject to quantitative restrictions in France. Both delegations agreed that steps should be taken to increase the volume of trade exchange between the two countries. As a follow-up of the market surveys conducted by Indian experts in France during 1969, both the delegations agreed to initiate a commercial development programme for diversifying and expanding the two-way trade while specially emphasising the export promotion in the French market of Indian manufactured products. A president-cum-director general level French Economic Mission is expected to visit this country in October, 1971, for exploring possibilities of further expanding trade, economic, technical and industrial co-operation between the two countries.

SOAP FACTORY IN MALAYSIA

The Mysore Government Soap Factory is to set up a sandal soap manufacturing factory in collaboration with a private party in Malaysia in the next six months. The factory, to be located at Kuala Lumpur, is to have a capital of about Rs 1.5 lakhs. The Mysore government will invest 10 per cent of the capital in the form of plant and machinery. The Malaysian party, a businessman of Indian origin, will invest the balance. In addition to meeting the local demand, its products are to be exported to third countries in the south-east Asian region.

NAMES IN THE NEWS

Mr K.N. Modi of Modi Industries was unanimously elected President of the All-India Manufacturers' Organisation on May 8, 1971.

Company Affairs

INDUSTRIAL CABLES

Industrial Cables (India) Ltd, Rajpura, is likely to enter the capital market in about a couple of months to raise nearly Rs 25 lakhs in the form of equity capital. The company has an authorised capital of Rs 120 lakhs. Its issued capital at present aggregates to Rs 63 lakhs.

The capital proposed to be raised will be utilised for financing partly the expansion programme of the company which is estimated to cost Rs 70 lakhs. The rest of the cost of the expansion programme is envisaged to be met by ploughing back reserves to some extent (the reserves at present are about Rs 34 crores) and through borrowings from financial institutions.

Although the cable industry in the country is currently passing through a difficult period, this Rajpura concern is able to utilise its capacity to the extent of about 80 per cent, thanks to energetic efforts at export.

The expansion programme of the company includes augmentation of the facilities to manufacture PVC cables, the setting up of a research and development division, establishment of capacity for grooved contact wire used by railways in their electrification programme and the putting up of a wire drawing and galvanising unit.

Despite the hardships faced by the cable industry, Industrial Cables (India) Ltd has been paying regular dividends at the rate of 10 per cent per annum for the last four years. Earlier the dividend disbursements were at varying rates. The gross investment of the company has increased from Rs 89 lakhs in 1964 to Rs 174 lakhs in 1970. The sales have gone up from Rs 47.22 lakhs in 1964 to Rs 274 lakhs in 1970. This year they are expected to be around Rs 400 lakhs.

ALUMINIUM INDUSTRIES

The Aluminium Industries Limited will enter the capital market shortly with the issue of 65,000 first mortgage eight per cent subject to tax registered debentures (1978-83). The issue will open on May 24, 1971 and close on June 4, or earlier at the discretion of the directors but not before June 2, 1971. The entire debenture issue has been underwritten by the Industrial Development Bank of India (Rs 45 lakhs), Life Insurance Corporation of India (Rs 10 lakhs) and Unit Trust of India (Rs 10 lakhs). The debenture issue is being made not for the purpose of financing any new scheme of the company but for the purpose of meeting repayment obligations partly of medium-term loans and fixed deposits and for the repayment of the residue (Rs 13 lakhs) of earlier debenture issue of Rs 45 lakhs, that falls due for amortisation in the year and for augmenting the company's working funds. The company manufactures electric conductors, transmission line accessories and insulated aluminium conductors. Starting with the manufacture in its Kundara factory of bare conductors in 1950, the company established in 1955 a properzi mill for the manufacture of aluminium rods at Kundara. The company set up in 1957 another plant at Kundara for the manufacture of insulated aluminium cables. In 1957, the company established a factory for the manufacture of aluminium bare conductors and aluminium rods at Hirakud (Orissa state). The wire mill of this unit went into production in 1959 and the rod mill in 1960. Plant and machinery for the manufacture of high tensile galvanised steel wire required for ACSR manufacture was set up at Kundara and it went into production in 1961. At Hyderabad a unit was installed and commissioned in 1964 to manufacture insulated aluminium cables. During the same year commercial production of SOLIDAL underground cable was established at Kundara. The company established a factory at Hyderabad for manufacturing wire working machinery. This unit was set up in collaboration with Messrs Miyazaki Iron Works Ltd, Japan, and was commissioned in 1969. In collaboration with Messrs Delle-Alsthom of France, the company set up a unit at Mannar for the manufacture of switchgear equipment. This was commissioned in 1970.

BINNY

Binny Limited, Madras, produced more textiles during 1970 than a year before but the increase in cost of production more than offset the advantages of improved turnover, stated Mr M.K.Vellodi, chairman of the company while addressing the shareholders at the annual general meeting held recently. Turnover of the Madras and Bangalore units increased by 11.6 per cent over 1969 through additional loom shifts. He added that the increase in the price of cotton and artificial fibre along with losses due to controlled prices were a common feature of most of the textile mills in the country. Mr Vellodi pointed out that if the extraordinary increase in cotton prices could be anticipated when the major investment decision was being considered, the company would have laid stress on fine qualities of cloth.

The increase of approximately 100 per cent in cotton prices since the beginning of 1970 had rendered the company's cotton textile production quite uneconomic. The chairman suggested that the union government should put its weight behind an urgent country-wide campaign for improving cotton yields so as to bring down the cotton prices to reasonable levels. During the year 1970 the company installed a thousand new looms and also wide width cloth processing machinery. The chairman added that it had not been possible to modernise fully the carding, spinning and yarn preparation departments. During 1970 export of cotton piece goods of the company increased by 10.2 per cent and this figure would have been still higher but steep increase in the cotton prices affected the exports adversely.

Talking about the engineering division, Mr Vellodi indicated that there was substantial improvement in the performance of the Madras Works in spite of the severe shortage and high prices of steel. The installation of the electric furnace of the foundry was completed in February this year and this furnace will enable the foundry to produce more sophisticated castings. The chairman also indicated that rice millers all over the country had shown interest in Binny-Satake rice mills. The ship repair department also did well during the year and it won contract for survey of oil tankers for the Madras Refineries Limited. The chairman pointed out that adverse working results of the company resulted in a fall in gross profits from Rs 175 lakhs to Rs 12 lakhs during the year. He added however that the company would press on with its plans for diversification and development to maintain and improve its financial position which has been basically sound.

AMERICAN EXPRESS

The Board of Directors of American Express Company recently announced its fourth common stock dividend increase in three years. Payable on April 1, the dividend increase brings the quarterly rate to 35 cents per share as against 30 cents paid over the past four quarters. American Express Company has paid dividends on its common stock for 102 consecutive years. Mr Howard L. Clark, Chairman and Chief Executive Officer, announced recently that final results for the year 1970

showed that consolidated net income rose to a record $ 85.2 million against $74.5 million earned in 1969. Total consolidated revenues increased to $1.31 million from $1.17 million while total consolidated assets rose to $4.66 billion at year end compared with $4.15 billion in 1969. Mr Clark stated that total travellers cheques outstanding at year end 1970 amounted to more than $827 million as against $ 757 million last year. American Express card membership continued to show substantial growth with more than 3.5 million holders at year end.

JAY SHREE TEA

Jay Shree Tea and Industries Ltd earned a gross profit of Rs 1.65 crores for 1970 against Rs 1.02 crores for the previous year, an increase of 31 per cent. Its sales have increased to Rs 9.83 crores from Rs 8.65 crores. The directors have proposed a higher equity dividend of 11 per cent against 10 per cent paid for the previous year. The company's net profit amounted to Rs 58.05 lakhs against Rs 30.06 lakhs, after providing Rs 41.04 lakhs for depreciation, Rs 58.50 lakhs for taxation, Rs 4.68 lakhs for development rebate reserve and Rs 2.75 lakhs for development rebate allowance. The preference dividend will absorb Rs 5.03 lakhs. A sum of Rs 53.04 lakhs has been transferred to the general reserve out of which the proposed dividend amounting to Rs 18.04 lakhs is to be paid. The crop during the year was around 9.86 million kg against 8.26 million kg. Sales also increased to Rs 9.83 crores from Rs 8.65 crores a year before.

SIEMENS

The recent public issue of shares by Siemens India Ltd was oversubscribed by about 19 times, the company receiving 43,000 applications. The management has now finalised the basis of allotment of shares according to which lots have been drawn in respect of applications for 50 shares to 450 shares and each successful applicant will be alloted 25 shares. The allotment will be on the following basis, the numbers in brackets standing for shares applied for: (50) 20 out of 100, (100) 32 out of 100, (150) 40 out 100, (200) 50 out of 100, (250) 60 out of 100, (300 to 450) 80 out of 100. A firm allotment will be made in respect of applications for more than 500 shares on the following basis, the number of shares allotted being in brackets: 500 to 600 (25); 650 to 1,150 (50); 1200 to 1950 (75); 2,000 to 2,450 (100); 2,500 to 2,950 (125); 3,000 to 3,950 (150); 4,000 to 4,950 (200); 5,000 5,950 (250); 6,000 to 7,7450 (300); 7,500 to 9,750 (350); 9,800 to 11,950 (400); 12,000 to 15,000 (450); 20,000 (600); 30,000 (900); 40,000 (1,200); 50,000 (1,500); 62,000 (1,900); 1,00,000 (3,000); 1,25,000 (3,750) and 250,000 (7,500).

SANDVIK ASIA

The pre-tax profit of Sandvik Asia Ltd. for the period of nine months ended December 31, 1970, has amounted to Rs 87.94 lakhs against Rs 68.82 lakhs for the year ended March 31, 1970. Its sales have amounted to Rs 4.31 crores against Rs 4.79 crores. The directors have already proposed an equity dividend of Rs 12 per share for the period of nine months, the same as that paid for the year 1969-70. They have also recommended an issue of bonus shares in the ratio of one share for every five shares held. The company's net profit amounts to Rs 36.03 lakhs against Rs 22.82 lakhs after providing Rs 51 lakhs for taxation and Rs 90,000 for development rebate reserve. The company's exports during the period under review totalled Rs 15.70 lakhs. The company expects to increase further its exports in the current year.

CAMPHOR & ALLIED PRODUCTS

Camphor and Allied Products Ltd has recorded an increase in gross profit for 1970 to Rs 68.63 lakhs from Rs 54.13 lakhs for the previous year in line with the rise in turnover to Rs 2.52 crores from Rs 1.98 crores. The directors have proposed to maintain an equity dividend of Rs 12 per share on higher capital resulting from the 1:5 bonus issue. The improved results follow an increase in the production of camphor from 571 tonnes to 636 tonnes. The production of other products has also registered an increase of 15 per cent. The sales of by-products and new chemicals aggregated Rs 73 lakhs compared with Rs 48 lakhs in the previous year. The company has made some progress in respect of its terpene chemical project and is likely to start production during the third quarter of this year.

MADRAS ALUMINIUM

Net sales of aluminium products of Madras Aluminium Co. Ltd. for the year ended December 31, 1970, increased to Rs 6.69 crores from Rs 6.08 crores in the previous year while those of intermediary products jumped to Rs 49.02 lakhs from Rs 29.56 lakhs. There was a marginal decrease of 84 tonnes in production compared with that for the previous year due to the non-availability of carbon lining material in time as a result of delays in the issuance of import licences. During the year 1970 a number of furnaces had to remain idle. The net profit of the company for the year under review has increased to Rs 1.63 crores from Rs 1.19 crores in the year before, after providing Rs 1.13 crores for depreciation. After adding to the net profit the amount brought in from the previous year of Rs 1.37 lakhs and the excess provision made for payment of dividend equal to Rs 30,081, the amount available for appropriation comes to Rs 1.65 crores. The appropriations include Rs 88,072 as income-tax paid and Rs 96 lakhs for development rebate reserve. The preference dividend required Rs 13.95 lakhs. The dividend on equity shares which has been maintained at 12 per cent subject to tax absorbed Rs 54 lakhs, leaving Rs 10,273 to be carried forward. The directors of the company are negotiating with the IDBI in regard to the terms of the loan and guarantee to be sanctioned by the financial houses.

NATIONAL TOBACCO

The directors of National Tobacco Company of India Ltd have decided to raise the ordinary dividend to 10 per cent for 1970 from nine per cent paid previously.

COMPANY MEETING

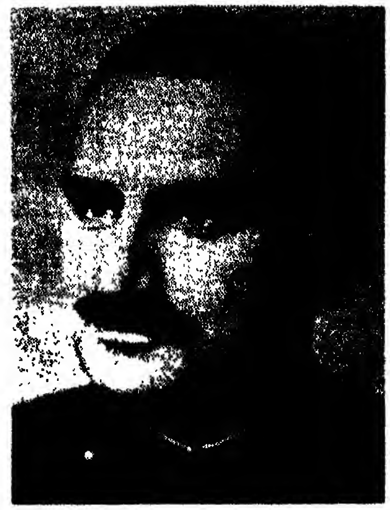
INDUSTRIAL CABLES (INDIA) LIMITED

RAJPURA (PUNJAB)

Speech of the Chairman

CH. RAGHVENDRA SINGH

The following is the text of the speech delivered by Ch. Raghvendra Singh, Chairman, Industrial Cables (India) Ltd. at the 14th Annual General Meeting of the Company held at its Registered Office at Rajpura on the 30th April, 1971.



Ch. Raghvendra Singh

Friends,

It gives me great pleasure to extend to you all a warm and cordial welcome to this meeting. The Annual Report and Audited Balance Sheet have been with you for some time and, with your permission, I take them as read.

The sales for the year, under report, were Rs. 274 lakhs against Rs. 258 lakhs of the previous year. The gross profit was Rs. 24.31 lakhs against Rs. 17.96 lakhs in the previous year. The net profit, after providing for depreciation and development rebate, was Rs. 6.34 lakhs. The provision for tax amounts to Rs. 0.60 lakhs. The balance of Rs. 5.74 lakhs has been transferred to General Reserve.

Your Directors have recommended that the dividend on equity shares should be maintained at 10% as hitherto.

The recent elections have stabilised conditions for rapid growth and development of the economy. Industrial development depends on the proper creation of infrastructure. A great deal has been done in this direction in the past but certain imbalances have become visible of late. I refer here to the acute shortage of power in many parts of the country leading to irregular supply besides substantial cuts. The conditions were particularly bad in Punjab and Haryana. The economy of these States has been built up from scratch, so to say, with a great deal of initiative, courage and toil. It is now in jeopardy because of power shortage. The situation needs early augmentation of sources of supply.

The Cable Industry in these areas has suffered in two ways. The existing level of production has been affected by irregular supply and power cuts leading to slower growth than anticipated. The demand for Cables, which is an index of power consumption is not registering the rise that was expected.

The units, in the Industry, with predominant facilities for manufacture of PILC Cables are faced with several problems of readjustment as a result of change-over to PVC Cables. They need sympathetic treatment from many agencies within the Government.

The industry has also faced considerable shortages in raw materials. Lead, Steel and Aluminium may be particularly mentioned.

But for these difficulties the progress on the production side would have been much greater than was registered during the last year. Despite this, the sales have recorded a small increase. The export performance has helped in this direction. It was possible to export cables worth Rs. 92 lakhs during the year ending 31st Oct., 1970 as against the last year's figure of Rs. 12.89 lakhs. The export effort is 34% of the total turnover. This is indeed a commendable achievement. *Your company was awarded the Certificate of Merit for outstanding export performance. It may be mentioned, with pride, that your Company is the largest exporter of engineering goods from the Punjab.* The export performance for the year 1970-71 will be equally encouraging. The fact that repeat orders are being placed on your Company from abroad is an indication of the excellence of the quality of its products.

Your company has naturally been devoting considerable thinking to further expansion and diversification. One of the schemes is to instal some more equipment in the PVC line to balance it for achieving better quality than hitherto. A scheme is ready of establishing a Steel Wire and Galvanising Plant. It is likely that the Company may also manufacture, in the near future, grooved contact wire for the Railways. Some more schemes for diversification into remunerative lines are also being worked out and shall be ready shortly.

In addition, the need for rapid development of indigenous technology of manufacture requires that your Company should undertake some research projects designed to improve quality still further and to substitute imported raw materials by indigenous counterparts. The scheme for research is under preparation. Suitable steps for its implementation shall be taken as soon as it is ready.

A few problems may be mentioned here as they affect the economics of your company.

We have some problems on Octroi and price preference. We have drawn the attention of Punjab Government to them. We have no doubt that a favourable view will be taken on them. We are requesting the Government of Punjab for an early decision.

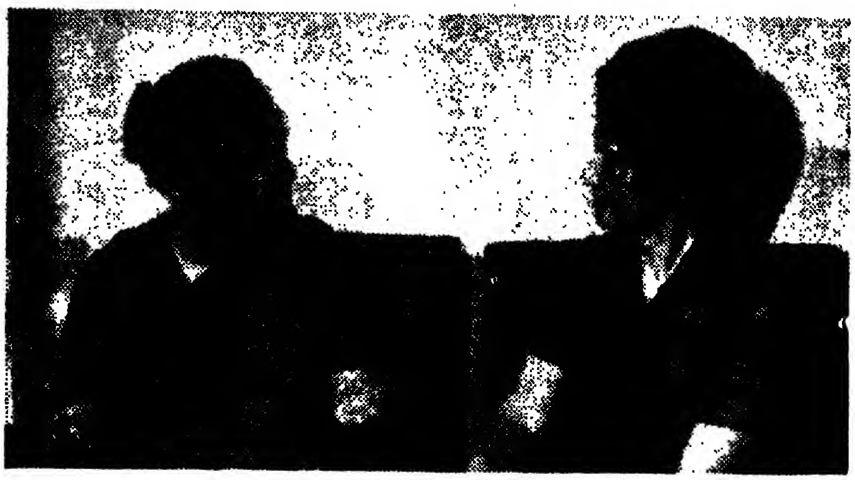
One of our persistent problems, due to change of policy of Government of India, is to keep occupied our well provided plant for PILC Cables. Some capacity has been utilised for export but that is not enough. A large amount of foreign exchange has been spent on this plant. With slight balancing, it is capable of manufacturing telephone cables. The manufacture of these cables is reserved for the public sector. We could have understood this had India been self-sufficient in these cables. As it is, India is a net importer of telephone cables. It is pre-eminently a case which requires rethinking on the part of Government. Together the PILC manufacturers and Government, can find mutually beneficial solution to this problem in a pragmatic spirit which will incidentally benefit the country considerably.

I would like, in the end to thank, on my behalf and that of the Company, Industrial Finance Corporation, ICIC, Punjab Financial Corporation, the State Bank of Patiala, the Punjab Government and Government of India for their cooperation and helpful attitude. I hope that we will continue to deserve their consideration in the future also.

I am indebted to my colleagues on the Board of Directors and to our energetic officers, other members of the staff and workers for their hard work and whole-hearted cooperation.

Our thanks are also due to our esteemed customers, including M/s. Razno Import of the USSR, the State Electricity Boards and the DGS&D for their patronage.

Note: This does not purport to be a record of the proceedings of the Annual General Meeting.



RECORDS AND STATISTICS

Pattern of Issued Currency

A FACTUAL analysis of the changing pattern of issued currency during a period of 31 years is presented in the February Bulletin of the Reserve Bank of India and it is reproduced below.

The period* is subdivided, to facilitate analysis, in three main groups, namely, the war and pre-partition period 1939 to 1947, the pre-planning period 1947 to 1951 and five-year Plan periods commencing from 1951 to 1966. Subsequently the year 1969 is taken as it coincides with the commencement of the fourth Plan and also 1970 being the latest year for which data are available. It may be observed that the aggregate issued currency during the period of 31 years rose about 17 times from Rs 250 crores in 1939 to Rs 4248 crores in the year ended March 1970. The aggregate currency rose by over six times during the war and pre-partition years 1939 to 1947, sharp rises being mainly in the years 1941, 1942 and 1943 when issued currency recorded increases of as much as 50 per cent, 63 per cent and 47 per cent, respectively, over the preceding years. From 1948 to 1952 with the exception of 1950 when it rose by 2.7 per cent over the previous year, the aggregate currency evinced declines ranging between 1.5 per cent in 1951 and 8.1 per cent in 1948. The subsequent years 1953 to 1970 have recorded continuous increases ranging between 1.9 per cent (1953) and 9.8 per cent (1955):

*The data for the years ended March 1939 to 1948 are not strictly comparable with those of later years as they relate to undivided India and those from 1948-49 onwards to the Indian Union.

Table I gives the currency issued, as at the close of selected years, grouped into small coins, rupee coin and notes.

As the data relating to small coin and rupee coin prior to 1956 are worked out on the basis of absorption and return figures published in the Currency Reports, they are taken as estimates. As at the end of 1939, it may be observed that notes formed 93.4 per cent of the issued currency while rupee coin and small coins were estimated at 6.5

TABLE I

CURRENCY ISSUED : SMALL COINS, RUPEES COINS AND NOTES (SELECTED PERIODS)

(Rs lakhs)

	1939	1943	1947	1951	1956	1961	1966	1969	1970*
Small coins	24	23,43	76,98	75,85	65,87	71,08	105,51	118,54	127,10
Percentage to total	0.1	2.4	4.9	5.5	3.9	3.2	3.3	3.0	3.0
Rupee coins†	16,31	111,73	167,67	130,02	137,16	156,55	198,90	237,05	247,93
Percentage to total	6.5	11.5	10.7	9.5	8.1	7.0	6.2	6.1	5.8
Notes	233,28	833,50	1326,00	1161,16	1480,79	2002,94	2897,21	3542,41	3873,19
Percentage to total	93.4	86.1	84.4	84.9	88.0	89.8	90.5	90.9	91.2
Total	249,83	968,66	1570,65	1367,03	1683,82	2230,57	3201,63	3898,00	4248,22
Percentage rise or fall over the preceding column	—	+287.7	+62.1	—13.0	+23.2	+32.5	+43.5	+21.8	+9.0

†Include one rupee notes excepting for 1939.

TABLE II

PROPORTION OF COINS AND NOTES OF VARIOUS DENOMINATIONS TO TOTAL CURRENCY

(Percentage)

	1939	1943	1947	1951	1956	1961	1966	1969	1970
Small coins	0.1	2.4	4.9	5.5	3.9	3.2	3.3	3.0	3.0
Rupee coins*	6.5	11.5	10.7	9.5	8.1	7.0	6.2	6.1	5.8
Rs 2 notes	—	0.6	2.1	1.9	1.9	1.7	1.3	1.5	1.5
Rs 5 notes	18.3	14.7	12.4	11.5	10.5	9.1	7 9	7.0	7.0
Rs 10 notes	39.3	31.3	35.5	34.9	36.2	36.5	39.2	34.6	34.4
Rs 100 notes	30.2	30.1	34.4	36.6	35.1	38.8	39.9	45.8	46.6
Rs 1,000 notes	5.5	9.4		—	3.3	2.4	1.4	1.3	1.2
Rs 5,000 notes	—	—	—	—	0.6	0.7	0.6	0.5	0.3
Rs 10,000 notes	—	—	—	—	0.4	0.5	0.2	0.2	0.1
	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

*Include one rupee notes excepting for 1939.

per cent and 0.1 per cent, respectively. During the eight-year period ended 1947, these proportions underwent significant changes in that, the proportions of small coin and rupee coin rose while that of the notes declined. But during the years from 1951 to 1970, the proportion of paper currency again rose from 84.9 to 91.2 while the proportion of small coin and rupee coin declined, respectively, from 5.5 per cent to 3 per cent and from 9.5 per cent to 5.8 per cent.

Table II gives proportions of various denominations to the total currency in addition to that of small coin and rupee coin.

It may be observed that the two rupee notes which were first issued in 1943 were popular till 1947 but their proportion declined thereafter. The popularity of five rupee notes has been on the decline throughout the period, the proportion declining from 18.3 per cent in 1939 to seven per cent in 1970. The most popular denomination in 1939 was 10 rupee note which formed 39.3 per cent of the aggregate issued currency. The proportion declined sharply to 30.1 per cent by 1945, but rose steadily again to 42.7 per cent by 1965 to decline again to 34.4 per cent by 1970. On the other hand, it may be observed that the Rs 100 note has been generally gaining popularity, though initially its proportion declined from 30.2 per cent in 1939 to 27.9 per cent in 1941 since when it has risen to form 46.6 per cent in the year 1970.

The higher denomination notes Rs 500, Rs 1,000, and Rs 10,000 were demonetised in January 1946. In April 1954 new high denomination notes of Rs 1,000 and Rs 10,000 were reintroduced and a new high denomination note of Rs 5,000 was also introduced. The proportion of Rs 1,000 notes rose from 5.5 per cent in 1939 to 8.0 per cent by 1945, the last year prior to demonetisation. After their reintroduction in 1954 the proportion rose from 2.3 per cent in 1954 (end-December) to 3.5 per cent by 1957 (end-March), but there-after it declined to 1.2 per cent by 1970. A more or less similar trend was witnessed in respect of Rs 5,000 and Rs 10,000 notes.

TABLE III

DENOMINATIONAL PATTERN OF ISSUED CURRENCY (1939-1970)

(Rupees lakhs)

	1939	1940	1941	1942	1943	1944	1945	1946	1947	1948	1949
Small coins	24	2,45	6,73	11,79	23,43	41.89	61,09	71.07	76,98	80.97	81,21
Percentage to total	0.1	0.9	1.7	1.8	2.4	3.5	4.3	4.8	4.9	5.6	6.0
One Rupee coin	16,31	26,39	59,62	66,80	111,73	137,33	147.38	165,73	167,67	155,33	151,00
Percentage to total	6.5	9.8	14.7	10.1	11.5	11.6	10.4	11.11	10.7	10.8	11.2
Rupees 2	—	—	—	—	5,56	9,73	14,45	25,42	33,09	29.21	26,62
Percentage to total	—	—	—	—	0.6	0.8	1.0	1.7	2.1	2.0	2.0
Rupees 5	45,63	45,03	62,23	106.74	142,48	148,80	153,87	197.09	195.10	180,53	179,91
Percentage to total	18.3	16.7	15.4	16.2	14.7	12.6	10.9	13.2	12.4	12.5	13.3
Rupees 10	98,29	97,83	134,89	218,21	302,93	363,38	425,37	545,40	557,70	533,23	486,42
Percentage to total	39.3	36.3	33.3	33.0	31.3	30.7	30.1	36.5	35.5	36.9	36.0
Rupees 100	75,57	80,44	113,13	202,82	291,54	382,51	495,84	488,71	540,11	494,29	425,91
Percentage to total	30.2	29.8	27.9	30.7	30.1	32.3	35.1	32.7	34.4	32.2	31.50
Rupees 1,000	13,79	17,64	28,20	54,07	90,99	100,93	113,37	—	—	—	—
Percentage to total	5.5	6.5	7.0	8.2	9.4	8.5	8.0	—	—	—	—
Rupees 5,000	—	—	—	—	—	—	—	—	—	—	—
Percentage to total	—	—	—	—	—	—	—	—	—	—	—
Rupees 10,000	—	—	—	—	—	—	—	—	—	—	—
Percentage to total	—	—	—	—	—	—	—	—	—	—	—
Total	249,83	269,78	404,80	660,43	968,66	1184,57	1411,37	1493,42	1570.65	1443,56	1351,07
Percentage rise or fall over the preceding year	..	8.0	50.0	63.1	46.7	15.5	19.1	5 8	5.2	—8.1	—6.4

(Contd.)

NOTES: (1) The data for small coins and rupee coins are as at end of March. For notes the data relate to position as at end-December up to 1955 and for later years as at end of March. (2) Data on small coins are inclusive of figures for Burma up to January 1942. Figures of notes include Burma notes up to 1941. (3) In compiling the statement old Rs 1, Rs 2½, Rs 20, Rs 50 and Rs 500 notes and adjustments in respect of inter-office remittances are not taken into account. (4) Figures are inclusive of Rs 43 crores of India notes retired from Pakistan from March 1950. (5) One rupee coins up to 1945 relate to estimates of rupee coins in circulation. One rupee coins include one rupee notes issued from July 1940. (6) Figures of rupee coin for 1970 are inclusive of Mahatma Gandhi Centenary Ten Rupee coins amounting to Rs 113 lakhs and (7) Figures of Rs 10,000 notes (demonetised from January 12, 1946) up to 1946, which were mainly used by banks for making large adjusting payments, have been excluded.

DENOMINATIONAL PATTERN OF ISSUED CURRENCY (1939-1970)—(*Contd.*)

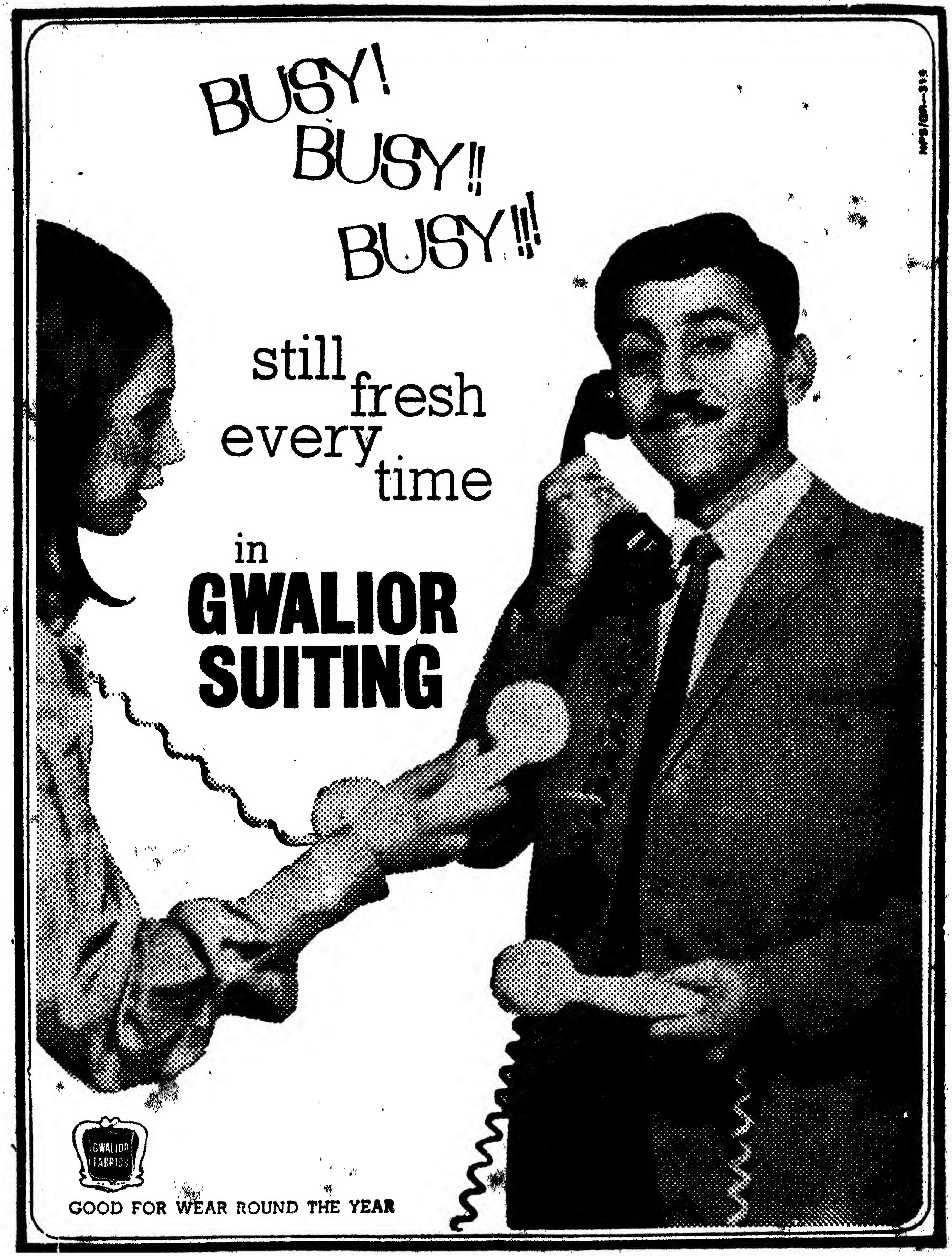
(Rupees lakhs)

	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960
Small coins	79,05	75,85	72,80	68,71	65,54	64,40	65,87	66,24	66,94	66,66	68,15
Percentage to total	5.7	5.5	5.5	5.1	4.6	4.2	3.9	3.8	3.8	3.5	3.3
One Rupee coin	132,61	130,02	125.45	119,71	117,92	112,98	137,16	117,88	116,99	121,42	131,22
Percentage to total	9.6	9.5	9.6	9.0	8.4	7.3	8.1	6.8	6.6	6.4	6.3
Rupees 2	25,15	25,43	23.43	24,85	26,52	28.66	31,92	30,66	30,38	32,47	36,87
Percentage to total	1.8	1.9	1.8	1.9	1.9	1.8	1.9	1.8	1.7	1.7	1.8
Rupees 5	166,03	157,41	141,20	144,72	150,57	159,36	176,76	168,12	164,37	169,67	184,85
Percentage to total	12.0	11.5	10.8	10.8	10.7	10.3	10.5	9.7	9.2	8.9	8.9
Rupees 10	483,87	477,42	461,64	484,41	511,50	562,89	609,88	632,23	645,58	668,21	729,10
Percentage to total	34.9	34.9	35.2	36.2	36.2	36.3	36.2	36.5	36.3	35.0	35.2
Rupees 100	500,98	500,90	487,49	494,21	502,02	550,05	591,00	640,34	688,30	784,92	841,42
Percentage to total	36.1	36.6	37.2	37.0	35.5	35.5	35.1	37.0	38.7	41.1	40.6
Rupees 1000	..	..	..	..	32,06	56,37	55,17	61,02	48,77	48,97	52,20
Percentage to total	..	..	..	..	2.3	3.6	3.3	3.5	2.7	2.6	2.5
Rupees 5,000	..	..	..	..	5,04	9,85	9,78	10,00	10,01	12,59	13,04
Percentage to total	..	..	..	..	0.4	0.6	0.6	0.6	0.6	0.7	0.6
Rupees 10,000	..	..	..	..	1,01	5,81	6,28	6,41	6,38	6,40	13,07
Percentage to total	..	..	..	..	0.1	0.4	0.4	0.4	0.4	0.3	0.6
Total	1387,69	1367,03	1312,01	1336,61	1412,18	1550,37	1683,82	1732,90	1777,72	1911,31	2069,92
Percentage rise or fall over the preceding year	2.7	—1.5	– 4.0	1.9	5.7	9.8	8.6	2.9	2.6	7.5	8.3

DENOMINATIONAL PATTERN OF ISSUED CURRENCY (1939-1970)—(*Contd.*)

(Rupees lakhs)

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
Small coins	71,08	78,36	84,41	90.30	97.,44	105,51	112,51	118,55	118,54	127,10
Percentage to total	3.2	3.3	3.4	3.3	3.3	3.3	3.3	3.3	3.0	3.0
One Rupee coin	156,55	165,15	171,17	183,55	194,33	198,90	214,52	213,68	237,05	247,93
Percentage to total	7.0	7.0	6.8	6.7	6.6	6.2	6.3	6.0	6.1	5.8
Rupees 2	37,83	37,38	37.65	38,00	49,10	43.19	41,76	47,70	57,06	65,55
Percentage to total	1.7	1.6	1.5	1.4	1.7	1.3	1.2	1.3	1.5	1.5
Rupees 5	203,40	201.71	212.80	229,16	271,18	253.42	262,44	258,08	271,79	296,41
Percentage to total	9.1	8.6	8.5	8.3	9.2	7.9	7.7	7.2	7.0	7.0
Rupees 10	814,40	840.42	936,79	1030,82	1256,57	1254,93	1310,34	1323,23	1348,76	1462,57
Percentage to total	36.5	35.8	37.3	37.4	42.7	39.2	38.6	37.0	34.6	34.4
Rupees 100	864,73	932,91	999.51	1109,33	1000.61	1276,19	1372,40	1537,77	1786,47	1978,57
Percentage to total	38.8	39.7	39.8	40.3	34.0	39.9	40.4	43.0	45.8	46.6
Rupees 1000	54,31	62.82	48.95	50,29	39,79	45.70	54,13	45,71	51;59	50,50
Percentage to total	2.4	2.7	1.9	1.8	1.4	1.4	1.6	1.3	1.3	1.2
Rupees 5,000	16,18	21.73	12.44	14,34	23,22	17.76	20,01	24,99	19,01	13,31
Percentage to total	0.7	0 9	0.5	0.5	0.8	0.6	0.6	0.7	0.5	0.3
Rupees 10,000	12.09	10,09	8.02	8,85	8,07	6,02	6,24	8,26	7,73	6,28
Percentage to total	0.5	0.4	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.1
Total	2230,57	2350,57	2511.74	2754.64	2940,31	3201.63	3394,35	3577,97	3898,00	4248,22
Percentage rise or fall over the preceding year	7.8	5.4	6.9	9.7	6.7	8.9	6.0	5.4	8.9	9.0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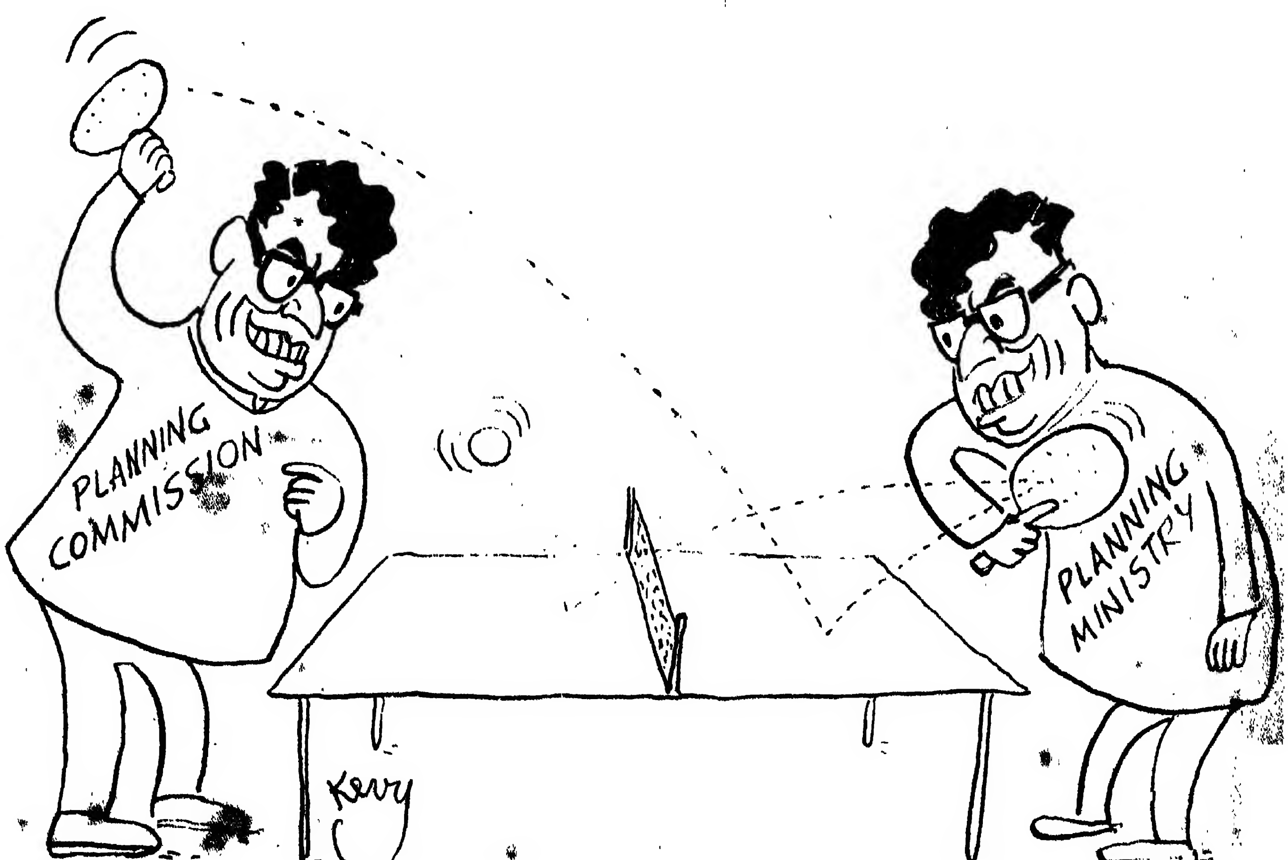
The Expanding Socialistic Crown

Filling A Strategic Gap

Toying with Illusions

Scientific Store-Keeping



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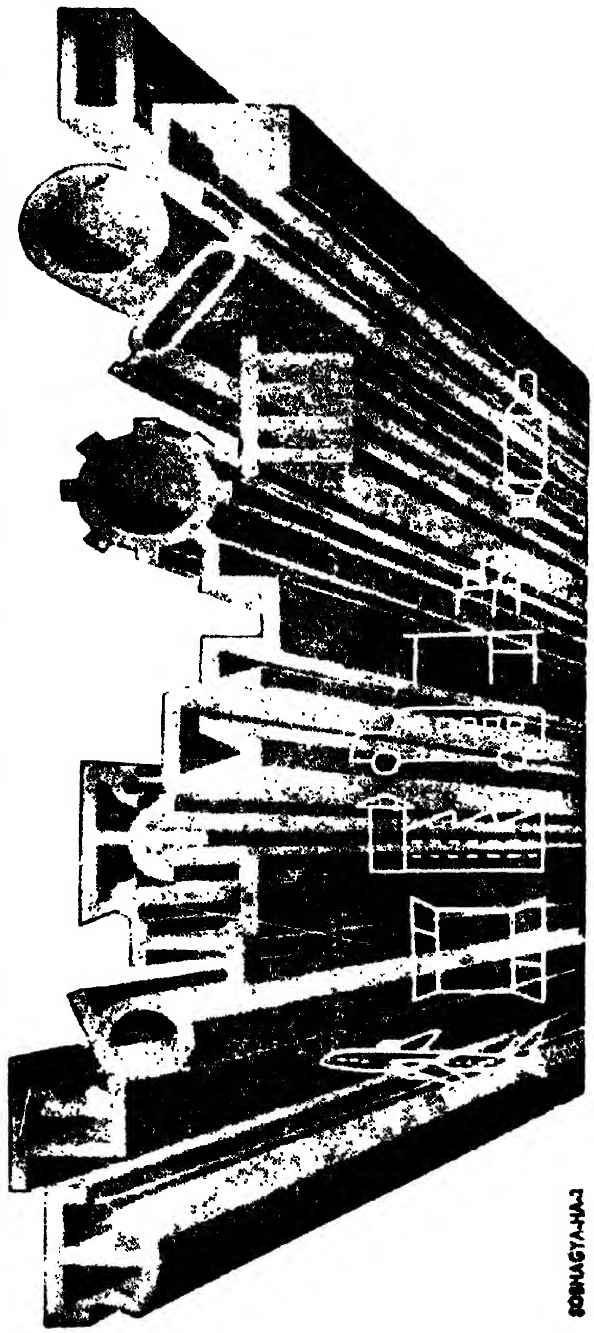

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THE EXPANDING SOCIALISTIC CROWN

THE TAKING over of the managements of general insurance companies by the government through a presidential ordinance has extended further the dimensions of Mrs Gandhi's socialistic crown and, as the process of implementing the ten-point programme of the election manifesto of the ruling party continues, there is every danger of the head being lost in the head-gear. In terms of the net addition to the revenues of the central exchequer, the take-over of general insurance is not going to be much of a gain. An attempt is, however, being made to show that the state take-over of general insurance was unavoidable in the wake of the success of the ruling Congress party in the recent elections.

The general insurance companies (numbering more than 100 and commanding gross assets of the value of Rs 240 crores) had tried to impress upon the government through a number of memoranda that general insurance was basically different from life insurance and that it was a complex business needing more personal care and attention than was possible for any government undertaking to ensure. All such pleas have fallen on deaf ears. It is possible that the follow-up measures in the present case as in the case of the banks would be long in coming and would hamper the efficient running of the nationalised companies.

In sharp contrast to the institution of a gigantic organisation such as the Life Insurance Corporation (LIC) after the state take-over of life insurance companies in 1956, the decision has been taken to institute four public sector corporations for running general insurance.

Ostensibly this is being done in order to promote competition between a number of units and thereby ensure improved service to the consumer. The spirit of competition no doubt is healthy in any business, but in the present case the consumer will have a choice only between tweedledum and tweedledee as all the four public sector corporations—if past experience of such institutions is any guide—are likely to be run on bureaucratic lines.

In the case of the nationalisation of life insurance sizeable accumulated funds had fallen in the lap of the government but in the present case no such funds would be available to it. At the most, the take-over of general insurance would provide an additional two to three crores of rupees every year to the government. In other words, the plea that nationalisation of general insurance would add substantially to the resources of the government does not hold at all. Besides delays in the settlement of claims, the cost of general insurance after nationalisation is likely to increase. In the case of the LIC, it has been conclusively proved that nationalisation does not result in any reduction in costs.

A peculiar feature of general insurance is that it is directly linked to the flow of foreign private capital. The non-Indian insurers cater to the needs of foreign investors who have a preference for their own insurers with whom they have dealings for their world-wide insurance transactions. The non-Indian insurers in our country provided a measure of confidence and security to foreign private capital which has continued to flow into our country year after year.

The protagonists of the nationalisation of general insurance bemoaned the loss of foreign exchange due to reinsurance of risks with foreign companies. However, even after the state take-over of this industry, reinsurance with foreign insurers of certain risks in such industries as aviation and shipping will be unavoidable. The outflow of foreign exchange on this account cannot be stopped because reinsurance premium is the price that has to be paid for reinsurance cover which in the event of a calamity yields foreign currency to reimburse the loss.

All these arguments which were patently against the state take-over of general insurance have been ignored by the government. It has obviously taken a political decision — a decision which shows utter disregard of its consequences to the economy. Does it follow that the thesis of mixed economy spelt out more than a decade ago by the Congress party is going to be thrown to the winds ? Those political prophets who had predicted that, after its massive victory, Mrs Indira Gandhi's government would tone down its socialistic policies have been proved wrong. Perhaps the corrupting influence of absolute power is too strong to be resisted.

Filling a Strategic Gap

ONE OF the reasons for the still rather unsatisfactory performance of our machine tool industry is undoubtedly the lack of availability of the right type of steel, in particular alloy steel. Being a highly specialised field, involving sophisticated technology, alloy steel is still not being produced in this country on a substantial scale. True, we have two public sector steel plants, as well as two private sector (one only partially engaged in alloy-making) units already in the field and, very soon, one more will be added to this family in the private sector, but mainly because of the relatively poor performance of both the public sector units -- Durgapur Alloy Steel Plant and Mysore Iron & Steel Ltd, Bhadravati -- the country is not getting adequate supplies and has had to import large quantities. Had there been no restriction on imports, the total quantum of alloy steel imports would have been considerably larger.

Presently, our total demand for alloy steel is estimated at slightly over 400,000 tonnes — to be precise, 4,10,000 tonnes — a year. But in the next five years, *i.e.* by 1975-76, this is expected to go up to 5,92,000 tonnes and, by 1980-81, to the still higher figure of 8,56,000 tonnes. As against this, our present installed capacity is only 3,37,000 tonnes, while the actual production (in 1969-70) has been no more than 2,61,000 tonnes. In 1969-70, we also imported 60,000 tonnes of alloy steel and, as stated earlier, had there been no import restrictions, this figure would certainly have been very much higher. Durgapur has no doubt a large installed capacity of 60,000 tonnes while Bhadravati's capacity is higher still at 77,000 tonnes, but neither of these two public sector projects has distinguished itself in the matter of production. On the other hand, although Mahindra-Ugine's (MUSCO) installed capacity is only 18,000 tonnes, it actually produced a record figure of 24,000 tonnes. Similarly, the Guest Keen William's unit with a total capacity of 40,000 tonnes of different varieties of steel like mild steel, etc., produced 18,000 tonnes of alloy steel. The installed capacity of the proposed new unit of the Birlas —Bihar Alloy Steels Ltd — is 40,000 tonnes (36,000 tonnes of alloy constructional steels and 4,000 tonnes of alloy tool steels and high speed tool steels) - the highest among the private sector units. Considering the estimated shortage of one to 1.5 lakh tonnes of alloy steel per year, even this addition will leave the demand for alloy steel unsatisfied. There would thus appear to be urgent need both to license additional capacity and to allow expansion of the existing units.

When the pressure on supplies of a vital raw material such as alloy steel is of this order, one would normally expect the authorities in any country actually to run after parties interested in producing it. But, alas, that has not been the case in this country. It is a sad reflection on the licensing authorities that, until recently, they chose simply to sleep over applications for licences for making alloy steel. Take, for example, the case of even Bihar Alloy Steels which has at last received the green signal, *i.e.*, after six years! The letter of intent for this project was given in 1965 and the licence was issued in 1966. After receipt of the licence, the promoters made all the preparatory arrangements to enter the market, but they could not make further headway, as, unfortunately, their licences were not revalidated. Whether this was because of political wire-pulling or ideological pressure is immaterial. Anyway, it was not until July, 1970 that all the requisite licences of this undertaking were actually revalidated. Since then, it is noteworthy, it has also got clearance from the monopoly angle. It is only thereafter that fresh arrangements for imports, etc., could begin. Fortunately for the Birlas, their foreign collaborators and providers of external finance (French) were patient enough not only to wait but also to make available their services and resources as soon as the project received official approval. But we should not forget that to make those who are prepared to help us, especially foreign credit institutions, wait indefinitely thus is not only impolite and unfair but also unwise.

To turn now to a few salient features of the new alloy steel unit, which is an Indo-French joint venture, Birlas in collaboration with SFAC (Societe des Forges et Ateliers du Creusot) of France who have since merged with Compagnie des Ateliers et Forges de la Loire, to be jointly known as CREUSOT -LOIRE) have sponsored this project. The issued capital of Bihar Alloy Steels Ltd is eight crores of rupees (comprising 70,00,000 ordinary shares of Rs 10 each—Rs 7 crores-- and 1,00,000 preference shares of Rs 100 each—Rs one crore). Of this, more than two crore rupees worth of shares have been subscribed by Birla Jute Manufacturing Co. Ltd, and various other companies of the promoters, so that the present issue is a little below six crores of rupees (Rs 5.99 crores). Creusot-Loire, Paris (the French collaborators) have been issued Rs 54 lakhs worth of equity shares which, by the way, represents the fee for their technical collaboration for 15 years, while various financial institutions have taken up Rs 80 lakhs worth of equity shares, leaving only 36.50 lakh equity and 100,000 9-1/2 per cent preference shares for the forthcoming public issue. And even this has been wholly underwritten by leading financial institutions and prominent brokers.

The entire project is estimated to cost Rs 24.32 crores which is being financed as follows:

	(Rs crores)
Share capital	8.00
Loans:	
(a) French club credit —Rs 70.20 lakhs.	
(b) Long-term foreign exchange loans from ICICI —Rs 212.00 lakhs	2.82
(c) Rupee loans from IDBI (Rs 450 lakhs), IFC (Rs 150 lakhs) ICICI (Rs 50 lakhs) LIC (Rs 150 lakhs) and Unit Trust (Rs 100 lakhs)	9.00
(d) Long-term rupee loan from Birla Jute Mfg. Co. Ltd.	4.50
	24.32

The project is not only fully assured of finances, thus, but is also ideally located as to raw materials, market for its products and also infrastructure facilities.

The plant is to be set up at Patratu, about 20 miles from Ranchi, where there is a big thermal power station of the Bihar Electricity Board. The Heavy Machinery Building Industry in Ranchi, which is an important source of supply for steel scrap, is nearby. Bihar and West Bengal between them provide 85 per cent of the country's total scrap steel supplies. Again, Bihar and Orissa manufacture ferro-chrome, ferro-silicon and ferro-maganese, as also lime. Only ferro-tungsten and ferro-vanadium will have to be imported. The import content when the plant produces to capacity is placed at Rs 10.3 lakhs.

Barring unforeseen circumstances, the plant is expected to go into production by the end of 1973

or early • 1974. Beginning with 20,000 tonnes per year in the first year of production, the plant will reach its full capacity of 40,000 tonnes by the fourth year, when the company hopes to earn a gross profit of approximately 35 per cent on its gross turnover of about Rs 18 crores. On this reckoning it should be possible for the company to clear arrears of preference dividend even in the second year after going into production and start paying equity dividend from the third year (1976) onwards.

These are by no means ambitious projections, if one remembers that the alloy steel industry is a priority industry and is, therefore, entitled to various tax concessions and exemptions from tax which, by the way, are fully listed in the detailed prospectus.

In Strait-Jacket

ANY MAJOR policy decision of the Government of India today would be judged, as it ought to be, by applying the twin criteria of (i) whether it will or will not promote increased production, and (ii) whether it will or will not lead to stabilisation, if not lowering, of prices. It is not surprising, therefore, that presidential addresses of most industrial organisations lately have been laying particular stress on these aspects, if only to highlight the several obstacles that confront them to achieve the desired results expected of them.

Take, for example, the pharmaceutical industry. The Planning Commission has estimated that the requirements of drugs in the country are likely to rise at an approximate rate of 13 per cent per annum. On this basis, it has been suggested that the industry would need capital investment during the current decade (1971-1981) of about Rs 250 crores, that is, more or less the total value of the production of the industry today. So, the authorities would have to take note of both the industry's need to expand its capacity, as also its need to find the capital investment therefor and to ensure the timely availability of certain essential imported raw materials at reasonable prices. Otherwise it would be unfair to expect the industry to deliver the goods or to blame it for its inability to rise to the occasion. Against this background, perhaps, the presidential address of Brigadier B.S. Bhagat to the fifth annual general meeting of the Organisation of Pharmaceutical Producers of India (OPPI), held in Bombay recently, falls into proper focus.

There are no two opinions in the country, be it in official circles or in business circles, about the need for our pharmaceutical industry to expand at the rate of some 15 per cent per annum. If this must eventuate, said Brigadier Bhagat at the OPPI annual general meeting the other day, it must be allowed to expand its capacity. When he said the industry "must be allowed to expand its capacity", the presumption is that presently it is not being allowed to do so, which is also the correct position. What precisely then is standing in the way? According to the OPPI president, it would appear, the extremely confused way of implementing the government's industrial licensing policy is the first main hurdle. This is further aggravated, he complained, by the enactment of the Monopolies and Restrictive Trade Practices Act of 1969. The second big hurdle would appear to be the Price Control Order of 1970, which, it is apprehended will have very serious effects on the long-term development of the industry. The third major problem of the industry is stated to be raw materials. It was hoped, at any rate by the officials and those who are in the habit of always regarding that whatever the government does is right — to them the government, like the king, can do no wrong—that canalisation of imports through the State Trading Corporation (STC) and the distribution of most of those imports through the Indian Drugs and Pharmaceuticals, Ltd (IDPL) would help the situation. But these hopes have been sadly belied and the industry's experience has been most unfortunate, in that under this arrangement the four important criteria for any industry, more so the drug industry, namely, quantity, quality, price, and timely supply, were far from satisfactorily fulfilled.

Let us now deal with these three hurdles in the way of the industry delivering the goods one by one. To take the industrial licensing policy first, Brigadier Bhagat's charge was that there is a wide gap between announcement of policies by the government and the actual implementation thereof by various departments concerned. "At the present moment," to quote him, "the position regarding the implementation of the industrial licensing policy is extremely confused. Various government policies are announced, in the press from time to time, but it has been the experience of most entrepreneurs that there is a wide gap between these announcements and their actual implementation by the government departments concerned". The new Minister for Industrial Development has announced the measures he proposes to take to speed up the issuing of industrial licences, which is all to the good, but what the industry and the hardheaded entrepreneurs would appreciate, more than such pious platitudes, is the cutting away of all the present maze of confusion and uncertainty in the field and the laying down of simple and exact procedures along with precise and intelligible guidelines, which should be promptly and punctiliously implemented. If this is done, there is no doubt that it would give a big fillip for the growth of the industry.

As regards price control of drugs, so much has been said and written that it is hardly necessary to cover the ground again here. But the considerations that have prompted the industry to reject price control are worth noticing, if only because there is much force in them. The industry unanimously feels price control to be undesirable because:

(i) "It destroys flexibility in the functioning of the industry;

(ii) "it nullifies the effects of interplay of market competition which

Eastern Economist 25 Years Ago

MAY 24, 1946

A simple test of the political adequacy of the proposals for a new constitution for India recommended by the Cabinet Delegation is this: Do they give the needed cohesion and strength to the new State internally and in its external relations, while ensuring that its constituent parts and groups are left free to develop their individuality in their own way?

A federal system is a happy compromise between unity and diversity; in Dicey's words, it provides for UNION but not UNITY. It is a real merit of the proposals before us that they underline the fact that in the Indian context there is no practicable alternative to federation; the Indian Union as finally envisaged will consist not only of the British Indian provinces but also of Indian States; and more, it is to be a real federation, with the its own Legislature and Executive and finances and acting from its inherent strength.

would normally lead to a lowering of the prices of products wherever this is feasible;

(iii) "it acts as a disincentive for the further growth of the industry which is essential if the country's increasing requirements of drugs and medicines are to be met, and

(iv) "it will reduce the incidence of expenditure on research and development (by lowering profits and thereby the financial resources of companies engaged in the industry)."

Brigadier Bhagat, it is noteworthy, was quite outspoken on the question of profits and he did well to declare from a public platform why enterpreneurs are, and must be, interested in profits. "In fact, in the long run", he said, "we cannot do without them. Profits alone can provide the wherewithal for research and for the expansion and growth of the industry". But he also went on to say: "Profit is not our only motive; we, as a responsible industry, are interested, no less than the government, in the health and well-being of our developing country". This is unfortunately not appreciated at all in the concerned quarters.

Those who impose price control, it is thus obvious, have a great responsibility. It is not enough if the government, after going through its own tortuous procedures, fixes some price and announces it cavalierly. Any price to be effectively enforced must be such as not only to be within the reach of the consumer but also be such as not to fall below the cost price of the product itself. Moreover it is wrong to control the end price of a controlled product without, at the same time, controlling the prices of all the components of that product. In the case of the pharmaceutical industry, the irony is that, whereas its products are controlled, the prices of either the raw materials (which have risen by 25 per cent, over the last two years) or the containers—both glass and metal (which have risen by 15 per cent over the same period) which are two of the main constituents in the price are not controlled at all. Similarly the government has not restrained wages (which have risen by some 10 to 15 per cent) or taxes, nor freight rates and charges for electricity, water other services. How each one of these adds up to raise production costs will be evident from an illustration provided by the OPPI chief. He said: "We have estimated that, in every rupee worth of medicine that a consumer buys, the incidence of tax is approximately 22 paise which includes direct excise of approximately 7.5 per cent and sales tax ranging from 3 per cent to 6 per cent."

The worst handicap of the industry undoubtedly is the scarcity of raw materials. For the smooth functioning of any industry, it is needless to say, there must be a free flow of adequate raw materials of the right specifications at the right time. But the experience of the pharameceutical industry in this behalf seems to have been singularly unhappy, and the position did not improve even after canalisation of imports of the major pharmaceutical raw materials through the STC and the IDPL. In the words of Brigadier Bhagat, "prices of raw materials have risen chiefly as a result of the introduction of the pool pricing scheme and the burden of the STC administrative costs and sales tax; the quality of the materials offered is at times substandard and the industry is seldom able to get its requirements of imported raw materials in the right quantity or at the right time". Not surprisingly, the OPPI chief's reaction to this state of affairs was that either the day-to-day working of the Pool Pricing Schemes must be made more efficient than now and the prices reduced or the government must revert to the previous system, *i.e.*, issue of import licences to actual users.

Finally, there is the government's new export-import policy fad which is bedevilling the pharmaceutical industry. In respect of this industry the government's requirement is that a unit should export a minimum of five per cent of its production. *Prima facie* this is unrealistic, for, in quite some cases, the minimum export target is hardly attainable, partly because of uncompetitive prices and partly because of inability to find an export outlet. Just as we have banned imports of formulations with a view to saving foreign exchange, several other countries also have banned some formulations for a similar purpose. In view of this, a general penalty cut of 20 per cent on import licences in respect of all units that fail to attain their minimum export target is meaningless. Instead of helping to augment exports, this requirement could, as Brigadier Bhagat feared, reduce the affected unit's production to zero in about five years if it were to be dependent on imports of some essential raw materials. And, in such an event, the unit would be unable even to maintain whatever exports it may have been making, which, in turn, means lower exports for the country. Such, indeed, is the unforeseen result of some of our ill and hastily conceived policy decisions.

Prices of drugs and profits of the industry really form the crux of the problem of the pharmaceutical industry in India and the future of the industry would depend on the attitude that the authorities adopt to decide on these main issues. Mr G. M. Laud, until recently Editor of the *Financial Express*, has put this quite succinctly in the fifth issue of *Focus*, the OPPI's official publication which he has edited, as follows: "Whether the situation demands a new attitude to prices of drugs and profits of the industry or whether it should be allowed to continue on the basis that the short-term gains from uneconomic drug prices are earned by the community, albeit at the cost of long-term benefits from new and modern drugs is a question of national policy". We are convinced that no sound national policy can proceed on the latter basis.

Toying With Illusions

THE SEMINAR on "Appropriate Technology", held in the capital on April 28, focussed attention on a concept which has been frequently talked about for the last many years without its taking any concrete shape. A few years ago the same idea was discussed under "intermediate technology", but recently the expression "appropriate technology" has been coined in order to describe the same approach which is no less nebulous.

The Ministry of Industrial Development has set up a special cell in order to study this concept and see how it can be put to profitable use. The one-day seminar however failed to produce a consensus about it. Granted that in the world of today many of the complex problems can be solved through the inter-disciplinary approach, implying a joint effort by administrators, technologists, economists and other experts, but there are certain basic considerations which cannot be ignored where problems of economic and financial administration are involved.

Mr Moinul Haque Choudhury, the union Minister of Industrial Development, looked at the problem of "appropriate technology" as one which, in the Indian context, centred in the solution of problems of rural and semi-urban areas. He was of the view that this country had hitherto paid "far too great a proportion of our attention to the problems of the towns and urban areas", while those of the rural and semi-urban areas had received scant attention. If by this Mr Choudhury implied that the urban areas had undeservedly received greater attention, then he was sadly mistaken. In the establishment of industrial and business enterprises there are certain iron laws of economics which a country can ignore at its own

peril. The sites selected for industrial units take into consideration a number of factors and if there is concentration of industrial units in some areas of the country, it is because certain special facilities are available there. Taking an overall picture, the establishment of these units was beneficial to the country. All deliberate efforts made by the government to disperse these industries have not met with much success despite the numerous incentives offered by it. If this is so, it is because the so-called backward areas make the ventures financially unworkable.

This is not the experience of our country alone. Even in the advanced countries, deliberate efforts in this regard have not produced much success. There is the example of Italy which for a number of years has offered many incentives to industrialists to locate new units in the south of that country but results have been far below expectations. The northern industrial areas of Italy have continued to progress at a rate which is much faster than that of the progress of southern Italy.

Again, Mr Choudhury tried to link the problem of employment with the use of appropriate technology, implying that the establishment of industries on the basis of the technology available in rural areas would promote employment opportunities. In this regard, we would like to draw his attention to a study made by the National Council of Applied Economic Research in 1969 in regard to the tranfer of technology in this country.. This report came to the conclusion that "small firms are often high-cost producers with old technology, at the receiving end of competition, and vulnerable to demand fluctuations. This is one of the reasons why the rate of failure among approved agreements of small firms is high: too often the market conditions change by the time approval for an transfer agreement comes". Another study made in 1961 by Dr P.N. Dhar and Mr H.F. Lydall scrutinised the role of small enterprises in our country. Its findings included the view that "it would be a mistake to follow a policy of promoting small enterprises for purely political reasons, if the economic agreements are clearly against this course." The central argument developed by Dr Dhar and Mr Lydall was that "demand tends to move away from inferior traditional products towards modern products. This trend can only be reversed by subsidies." More recently, the performance of the small-scale sector in radio industry has clearly shown that it could not stand the competition of improved technology and was forced to fold up in many centres.

The argument that the surplus purchasing power in the hands of the rural population would generate demand for industrial goods and, therefore, efforts should be made to manufacture industrial products in these areas irrespective of quality of the product is hardly tenable. With increasing prosperity in the rural areas, the people have developed a taste for goods of improved quality and any policy of thrusting inferior goods on them cannot but fail.

The participants in the seminar did warn the government about the hazards of repeating the errors made in the past while encouraging village and cottage industries and even small-scale industries. Consequently, it was decided that the special cell in the Ministry of Industrial Development should undertake an intensive study of the economic and engineering factors implied in the development of new technologies in the case of such industries as leather, ceramics, food processing and agricultural equipment. There is certainly no harm in making a study of the impact of the so-called appropriate technology in the establishment of these small-scale industries in rural areas. A second look at their viability is likely to bring forth the same conclusions which earlier researchers have already listed.

It seems that the idea of appropriate technology has been revived to see if it could be instrumental in setting up small-scale industries in backward

areas. The government seems to be searching for technological solutions which would allow it to set up small-sized plants in these regions. Though at the present moment, no clear evidence exists that such plants will be in the larger interests of the country, it is highly likely that this special cell in the Ministry of Industrial Development will stumble against the same difficulties which have been faced in the past by the supporters of village and cottage industries. The need of the hour is not to look for intermediate solutions but to encourage efficiency and growth.

Power Crisis in West Bengal

LAWLESSNESS IN West Bengal is having an unfortunate impact on industrial production and, unless the situation is improved immediately, it will affect the expansion schemes as well. The Calcutta Electric Supply Corporation recently disclosed that there had been an alarming increase in the incidents of theft of conductors from its overhead mains and also fittings and fixtures from its way-side electric power distributing pillar boxes and unattended sub-stations. In one district alone the corporation lost in January this year about 11,580 kgs of copper/aluminium conductors valued at Rs 1,74,000. This compares with the loss of 1,870 kgs per month between March 1969 and February 1970, an increase of nearly 600 per cent in the number of theft cases. Indiscipline among the workers of the corporation is also said to be responsible for its inability to provide uninterrupted supply of power to consumers, especially to industry.

The West Bengal State Electricity Board also has not been able to gear up its production so as to cater to the increasing demand for electricity. The total generation of electricity in West Bengal in 1969-70 was 5,300 million kwh, as compared to 5,577.7 million kwh in 1968-69 and 5,291.4 million kwh in 1967-68. This means that production in 1969-70 was practically the same as it was in 1967-68. Till now, the inadequate output of electricity was not felt much by the industries because of the recession.

As the Chairman of the Calcutta Electric Supply Corporation has said, both the maximum demand on the company's system and the total sales have been practically static during the last two years. He has pointed out that the corporation's sales to the jute industry, its largest industrial consumer, declined by over 10 per cent in 1969-70 compared with 1967-68. The sales to engineering industry declined by 7.5 per cent. In both cases, labour unrest was the major factor which contributed to the lower industrial production and the fall in consumption of electricity.

In the last few months, industries in West Bengal have been experiencing hardship due to the sharp and sudden cuts in power supply. The main victims of this interruption of power have been the jute, paper and engineering industries. Between April 13 and April 20 this year some jute mills, representing about 43 per cent of the industry's total production, were frequently subjected to power cuts by the Calcutta Electric Supply Corporation. Between January 1970 and April 1971 there was a loss in the production of jute goods of about 25,000 tonnes valued approximately at Rs 7.3 crores or a little over two per cent of the industry's total output.

The paper industry also has been severely hit by the power failure. One large unit has estimated that between September 1969 and March 1971 its factory was subjected to stoppage of electcity for 380 hours and 25 minutes. Other paper mills also have been hit by the power failure. As a result, not only has production suffered but also costly machinery has got damaged. Further, financial losses are incurred because of the payment of over-time to workers. West Bengal is an important producer of paper. This state contributes 18 per cent to the country's total production of paper. In the recent years the production of paper in West Bengal has been showing a downward trend. In 1969 production was only 70.6 million kgs, compared to 121.3 million kgs. in 1968 and 129.3 million kgs. in 1967. The production in the first five months of 1970 was 29.5 million kgs, as compared to 27.9 million kgs in the same period of 1969. But this small improvement is unlikely to be maintained in view of the recurrent cuts in power which are often made even without advance intimation.

Industrial organisations in Calcutta have suggested that the suppliers of power should make good the loss of production arising from the failure of electricity by giving rebate in their monthly bills for every minute of tripping. It is doubtful whether this suggestion will be considered by the government. Nor is the other proposal to permit the private sector to expand power generation capacity likely to find favour with the authorities. It is clear however that unless the present situation is improved, there are little prospects of the schemes for economic development of West Bengal being implemented with any reasonable degree of speed and success.

Apart from the erratic supply, industries in West Bengal have also to pay much higher rates for their power than in many other states. This will be clear from the table below.

An official report has commented that "so far as the power rates are concerned, there is no incentive to locate industries in West Bengal". The report has added that "while in the other states, the new units or the industrial units located in new growth areas outside the existing congested industrial centres get concession on tariff as well as on duties, in West Bengal the units in the non-congested areas are in practice penalised with a higher rate of tariff".

The Government of West Bengal, therefore, should give serious consideration to measures to augment the availability of power and provide it to industries at economic rates. Meanwhile, the trade unions and political parties should exert their influence on labour not to sabotage the production of power by go-slow or other tactics.

AVERAGE RATES OF ELECTRICITY TARIFF AS ON AUGUST 1, 1967

(Paise per unit)

For	Small industry	Medium industry	Large industry	Very large industry
1. West Bengal				
(a) State Electricity Board	19.50	17.80	14.01	13.04
(b) Calcutta	14.00	12.87	13.05	12.11
2. Maharashtra				
(a) Hydro area	16.11	16 77	8.55	7.66
(b) Steam area	..	..	13.51	11.94
3. Tamil Nadu				
(b) Thermal	..	..	18.69	16.98
(b) Others	16.56	15.43	14.61	12.88
4. Gujarat	14.64	13.75	14.50	12.89
5. Bihar	19.00	18.66	11.83	10.33
6. Mysore	13.00	12.45	8.53	7.46
7. Punjab	12.62	11.04	9.14	7.91

Expenditure Tax : An Assessment

S. VENU

THE EXPENDITURE TAX is a direct tax on individuals or families measured by personal consumption expenditure over a period of time. After its abandonment in India and Ceylon consequent upon a brief and unimpressive record in the statute books of the two countries, it is now regarded as a theoretical curio of public finance text-books.

Yet, its utility has by no means been rationally explored. The rates of the tax when levied in India and Ceylon a few years ago were far lower than those suggested by Professor N. Kaldor. Whereas Kaldor proposed rates from 25 per cent upwards, they were initially levied from a level of 10 per cent and subsequently scaled down to a range of five to 20 per cent with large exemptions. Not more than 0.125 per cent of the central tax revenues were collected from this source because of wide exemptions and low average. Both India and Ceylon were alike in imposing the tax on a very small tax base and on a very small fraction of tax-payers otherwise subject to personal income taxation.

Case Strengthened

However, in the context of moderate personal income taxation, the case for the reintroduction of the expenditure tax with wide coverage and steep progression is strengthened. If expenditure and wealth taxes are in vogue simultaneously and most direct tax-payers are subject to both, the reporting of financial details for the expenditure tax involves little additional compliance burden. If all forms of wealth are included for the assessment of net worth, the net increase or decrease in savings for calculation of gross expenditure is easily available. The return would be framed somewhat on the lines of the statements:—

Income	(A)
Purchase and sale of assets	(B)
Borrowings and lending	(C)
Bank deposits	(D)

Then,

$$\text{Expenditure (E)} = A-(B+C+D) = I-(NWc-NWo)$$

$$\text{Net worth } (NWc) = NWo-(B+C+D)$$

Where NWc and NWo are the present and previous year's net worth respectively.

The return proposed by Kaldor in his "self-checking" system had two errors. First, gifts received and made were treated in the same way as capital assets purchased and sold. Hence, if a gift of Rs 100 is made during a year, not only does the net worth decrease by Rs 100—the portion of the year's receipts treated as allocated to consumption expenditure—but it also results in an unjustified retention of Rs 100 in the net wealth tax assessment; the net wealth remains inflated by Rs 100. Second, in the Kaldorian framework assets are valued at cost for the purposes of net worth taxation. But it is the sales price deducted from the opening net wealth which determines the closing net wealth. Therefore, where an asset is sold for more than its cost, net wealth is reduced by an amount greater than that at which the asset had been valued in calculating open net wealth.

In one respect the expenditure tax is simpler to operate than the wealth tax. This is due to the fact that periodical revaluation of assets entailed by the wealth tax is not required. One of the major difficulties of wealth taxation is avoided in taxing expenditure. In another respect, however, the expenditure tax is more demanding. If expenditure is calculated indirectly by reference to income and net wealth, all forms of wealth are reported. If an amount equal to five per cent of the value of jewellery and art is included in taxable expenditure to reflect their consumption element these items which escape the net wealth tax are restored to the tax base.

Higher Rates

The rates envisaged for expenditure tax are generally higher than those for net wealth tax. Tax-payers might, hence, overstate net wealth to evade expenditure tax at marginal rates of 50 per cent or more by overstating asset holdings subject to tax at two or five per cent. But if holdings of jewellery are overreported, a steep differential wealth tax on non-productive investments would make the evasion exercise financially less rewarding.

Let us now examine the question of an expenditure tax without wealth taxation. If income is understated, a countervailing overstatement of expenditure does not result. Gross expenditure is reduced by the same amount as the understatement of income.* If, as is the base of our analysis, a steep reduction in higher brackets of marginal income taxation accompanies the levy of an expenditure tax, there is no reason to believe that incentives to underreport income would increase.

The expenditure tax will need submission of information *annually* on assets and expenditure. Evasion can be minimised by the following steps:

(1) If any secret hoards are uncovered, the tax-payer cannot claim that these have been accumulated over previous years as he will face the penalties for failing to report his previous assets.

(2) If marginal income-tax rates are low (not more than 55 per cent in the top bracket) the would-be evader of expenditure tax would rather pay tax and use his assets productively rather than keep them in idle unproductive forms.

(3) The tax assessors should have full powers to investigate and question expenditure patterns of individuals on assets such as housing and land and conspicuous consumption on travel, jewellery and entertainment. Where satisfactory explanations are not given, the tax should be imposed at penal rates. Combined with a property tax, evasion will be unprofitable.

Thus, the liquidation of undisclosed assets will be prevented by an integrated scheme of "self-checking" embracing the taxes on personal income, expenditure, capital gains, net wealth and property.

Initially, the expenditure tax should be reimposeed on quasi-Kaldorian lines:—

Exemptions—Rs 10,000 per adult. Purchase of books should be fully exempt. Expenditures on art and marriage should be exempted over and above the Rs 10,000 to the ex-

*This can be proved by using the formula I—(NWc—NWo)—E. If income is Rs 10,000 and net wealth increases from Rs 12,000 to 15,000 during a year, expenditure is currently assessed as follows:—

$$10000-(15000-12000)=7000$$

An under-reporting of income will produce an equal understatement of expenditure

$$8500-(15000-12000)=5,500$$

tent of Rs 5,000 and 10,000 respectively.

Proposed Rates:

First Rs 10,000 of taxable expenditure	5%
Next Rs 10,000 of taxable expenditure	15%
Next Rs 10,000 of taxable expenditure	25%
Next Rs 10,000 of taxable expenditure	35%
Next Rs 10,000 of taxable expenditure	50%
On balance of taxable expenditure	75%

An expenditure tax is a complicated measure requiring special administrative procedures, additional audit techniques and the education of the taxpayer. This cost is difficult to justify if the tax base is small. It must be applied at sufficient rates and to a sufficient base to compensate for the inevitable burdens of administration and compliance.

The use of *low* marginal rates of income taxation with an expenditure tax may hence be defended on the following grounds:

(i) The savings-income ratio will be improved.

(ii) A useful supplementary revenue source would have been established.

(iii) The administrative efficiency of the direct tax system will been hanced.

(iv) the 'peaks' in the inequalities of consumption will be tapered off. Formula flexibility will provide a stabilising effect.

(v) The disincentive effect will be negligible.

The plea for the reintroduction of the expenditure tax needs to be scrutinised with great care and a sense of pragmatism.

Entrepreneurship and Industrialisation

R. SUBRAMANIAN

It is generally felt that there is a shortage of entrepreneurs in developing countries and hence there is a need for extending public sector or for resorting to direct state involvement in promoting industries, particularly small-scale industries. But experience has shown that entrepreneural ability is as much a requirement of small-scale industries as it is of large-scsale industries. For example, in 1959 the central government, through its Small-Scale Industries Organisation, chose certain areas for intensive campaigns for encouraging small industries in backward districts by a joint action of the small industries service institutes, the state directorate of industries and the National Small Industries Corporation. But in 1963 it was found that the initial enthusiasm had faded with the result that the actual performance fell far short of expectations due partly to the paucity of "sufficiently high level of entrepreneurship"[1] Again, the Rural Industries Planning Committee of the Planning Commission had come out in 1963 with a similar conclusion that in its project areas "both enterprise and initiative are generally absent"[2].

The availability of institutional credit through the nationalised banks now-a-days demands a proper decisio non the choice of the right person for starting small-scale industries so as to check wastage of the scarce capital resources. Even here, as one of the SIET (Hyderabad) studies has revealed, the great barrier appears to be entrepreneurial talent and not finance. Naturally, industrial expansion, and through it economic growth, is hindered by the lack of entrepreneurial personnel to carry out the two fundamental functions—management and risk-taking—in order to bring about dispersal of industry around groups of villages and in towns as a solution to the backlog of unemployment.

This expansion requires the identification of entrepreneurs, their cultivation as well as the distinctive factors that contribute to their emergence. Not everybody who gets a loan from a bank can start a rural or a small-scale industry. Today, well-to-do agriculturists, consequent upon the result of agrarian reforms, see less scope in agriculture and more opportunities in starting new industrial enterprises, which may stand testimony to their managerial talent, investment, of resources and supervision, other things being equal. Whatever is left of their savings from agricultural resources over years could be used for establishing productive heads in rural areas or nearby towns.

This goes to prove a major point advanced by Everett E. Hagen in his book on "The Theory of Social Change," that entrepreneurs are nurtured by groups that have been disabled by the blocking of traditional avenues of prominence to them. Recently, a case study[3] on "Socio-psychological factors influencing industrial entrepreneurship in rural areas" conducted by the NICD, Hyderabad, points to the historical and socio-economic factors, the political factors, governmental assistance, the availability of technical and managerial assistance for growth and the like that have given rise to entrepreneurship in Tanuku taluk of the West Godavari district in Andhra Pradesh. It says: "Broadly speaking, it could, however, be said that apart from a distinct personality and high motivation, the two crucial factors were: (1) a very strong economic position founded on very large agricultural land holding, and (2) expert technical advice and guidance at all stages of development of industry."[4] The study splits the socio-economic, psychological and situational categories into eleven factors that are essential for success, for 'organising' and for 'growing' industries in rural areas, but the degree of influence of these factors on entrepreneurship has been particularistic. To quote again the study, "it could be seen that each factory has a distinct change-inducing capacity and that capacity varies from factory to factory and according to changing situations. Presence or absence of the factors at particular points of time would determine the level of achievement of an entrepreneur".[5]

Varied Backdrops

Thus, entrepreneurs have extremely varied economic and social backdrops, though they are more likely to belong to groups in a population exhibiting certain common characteristics and background. Again it is the general belief that merchants with trading background have been pioneers in starting most of the medium-scale industries.

The merchants and traders, propelled by the desire to amass wealth, often get to risky enterprises, trying to maximise advantage with any economic situation. So what is the nature of entrepreneurship in such cases? When it goes with capital, should entrepreneurship be taken to mean provision of capital, or be equated to risk-bearing or to co-ordination of productive resources or to the introduction of innovations? Professor Redlich's frame of reference[6] points to three important functions of an entrepreneur. They are: (i) capitalistic, (ii) managerial, and (iii) entrepreneurial proper (planning,

innovating* and ultimate decision-making).

Though the capitalist manager and the entrepreneur were combined in one person until the turn of the first quarter of the present century, recent developments in industry have shown a different trend. In modern industry, he is not the major source of capital, since he can borrow from the capital market and other financing agencies; he can shift supervision to competent bodies trained for the purpose; he can also delegate management to specialists. Today, increase in firm size and technical advancement call for a greater degree of diversity of professional qualifications which the single entrepreneurship of the nineteenth century failed to combine.

Corporate Function

Consequently, several professionals form the management, involving several tiers of jobs and personnel. These tiers and personnel contribute "technical ability, social ability and commercial ability—the process of getting things done through a community of people."[7] Professional management is the outcome of it and it means "enterprise management in which major policy-making positions and nearly all other positions in the hierarchy are held by persons on the basis of claimed or demonstrated technical qualifications. In professional management, technical ability, experience, education, knowledge of the organisation and ability to guide people who make decisions are more important than relationship to a family or a political regime."[8] Entrepreneurship, thus, acquires a corporate function. As Prof. Galbraith in his book *The New Industrial State* points out, this is because technology, planning and organisation necessitate specialised knowledge, a combination of which results in "collective authority" to organise the features of the productive process.

According to him, "in the past, leadership in business organisation was identified with the entrepreneur—the individual who united ownership and control of capital with capacity for organising the other factors of production and in most contexts, with a further capacity for innovation. With the rise of the modern corporation, the emergence of the organisation required by modern technology and planning and the divorce of the owner of the capital from control of the enterprise, the entrepreneur no longer exists as an individual person in the mature industrial enterprise. Everyday discourse except in the economics textbooks recognises this change. It replaces the entrepreneur as the directing force of the entreprise with management."[9] Important management decisions are taken by a group of specialists and "this, not the management, is the guiding intelligence—the brain—of the enterprise"[10]. An organisation of this type, according to him, is the "techno-structure".

Presumably, Prof. Galbraith's approach is based on the management experience in the USA which has its own limitations when viewed from individual contexts of developing nations, for example India. The managing agency system in India was promoted in the British period as an organisational convenience for British investors for managing their investment projects from England. It looked after diverse industrial enterprises. Later a prototype was developed by Indian investors as family enterprises where the entrepreneur was also the owner of the concern. The concept of the nineteenth century entrepreneur thus took shape in India.

This picture gradually changed after 1947 when a number of industries were promoted through licences. New industrial projects generated keen competition among prospective entrepreneurs. The Indian managing agency system grabbed this opportunity and multiplied establishment of industries. It also appears to have donned the role of the "techno-structure" in the Galbraithian sense. Thus, though entrepreneurship ownership of industry and its management are distinct functions, they are found in a combination in a single industry or group of industries in India. Where limited capital resources were found, there developed small-scale industries. In the beginning rural industries were also provided their distant niches in the industrial set-up in our country during the period of the three Plans.

Today economic activity seems to be on the upswing. This demands a curve with an uptrend in industrial production made possible by more and more investment. There is need to ensure optimum returns on investment through a suitable combination of technology and human material in order to maximise income and employment.

The problem here is to find more entrepreneurship of the right type. Entrepreneurship today is in short supply in India. It is a scarce factor in

relation to demand. Educational institutions can develop it by encouraging leadership and inventiveness in the younger generation and proper motivation for achievement.

Management institutions can nurture it by drawing upon such skills in order to promote specialised talents of the professional type to manage industries. Successful entrepreneurship, according to David McClelland,[11] has three aspects: (i) moderate risk-taking; (ii) readiness to get involved in activities and assume personal responsibility; and (iii) eagerness to accept self-evaluation, in an attempt to delineate the path of progress and achievement. All this would mean that the pattern of entrepreneurship will have to be discovered in individuals who would be responsible for the development of industries in selected areas. Their characteristics should be identified for the selection of potential entrepreneurs in the rural/ urban areas for purposes of financial assistance and other infrastructural stimulants through the institutions available in the field.

This approach has a special bearing on rural industrialisation since massive rural industrialisation is being attempted today in terms of development of-agro and small-scale industries with the financial assistance from the State Bank and nationalised banks. No doubt, from the point of view of social welfare, small and medium size industries in rural areas are to be preferred, for they would not only check the migration of rural population to cities and towns but also promote balanced regional development with expanding social and economic facilities.

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Our Export Prospects

DR S. HARIHARAN

ALTHOUGH WORLD trade continued to be buoyant during 1970 taken as a whole, the slackening economic activity particularly in developed countries and the inflationary conditions, prevalent almost everywhere, started impeding its growth in the latter half of the year. Global exports in this year reached \$ 278 billion, a rise of 14 per cent over 1969 exports. This was just a shade lower than the 14.2 per cent growth registered in 1969. As between the two halves of the year, whereas the first half witnessed a rise of 17 per cent, the second half saw an increase of over 10 per cent. The declining trend on the export front was equally felt on the imports side, the corresponding growth rates being 19 and 8 per cent.

Even the 14 per cent overall growth in exports in 1970 was the result of a seven per cent growth in volume and a little over 6 per cent rise in prices. Whereas the price rise in manufactured products was quite appreciable, the increase in the prices of primary products was significantly lower, more so in non-ferrous metals and some agricultural products.

The above developments had their impact most severely on developing countries whose share (total exports \$55 billion) in world exports shrank to 17.6 per cent from 21 per cent a decade ago. During the same period, the share of developed countries in world exports increased from 63.7 to 71.7 per cent. In fact, the relevant figures are \$ 81.5 billion in 1960 and \$ 223 billion in 1970. World exports and imports between 1964 and 1969 are shown in Tables I and II.

World trade in 1971 is variously estimated to rise between seven and 11 per cent, made up of five to seven per cent growth in volume and two to four per cent rise in prices. In effect 1971 might witness a greater grip on the price situation. The trade esti-

TABLE I

WORLD EXPORTS: 1964 to 1969

(Million US \$)

	1964	1965	1966	1967	1968	1969
1. World trade	152700	165400	181300	190600	212900	243400
2. Industrial countries	107940	118430	130770	137740	155800	179600
% (2/1)	70.7	71.6	72.1	72.3	73.2	73.8
3. UK	12785	13722	14676	14379	15346	17515
% (3/1)	8.4	8.3	8.1	7.5	7.2	7.2
4. Industrial Europe	53760	60230	65900	70260	79690	93740
% (4/1)	35.2	36.4	36.3	36.9	37.4	38.5
5. Other Europe	5130	5620	6350	6800	7100	8300
% (5/1)	3.4	3.4	3.5	3.6	3.3	3.4
6. Less Developed Area	34000	35900	38300	39600	43300	47900
7. India	1749	1687	1603	1613	1753	1833
% (7/6)	4.9	4.7	4.2	4.1	4.0	3.8
% (7/1)	1.1	1.0	0.9	0.8	0.8	0.8

mate assumes a world production increase of around 4.5 per cent in 1971.

India's share in world exports have shown a diminishing trend. In 1952 India accounted for two per cent of world exports. This came down to 1.2 per cent in 1960, one per cent in 1965 and only 0.8 per cent in 1969. This happened despite some increases in our overall exports. Thus, while world exports during this period (1952-69) shot up by 334.2 per cent, India's sales abroad recorded an increase of only 60 per cent. In 1970 our exports slackened further. Table III shows how the exports of industrialised countries, the developing countries and of India have progressed during the sixties.

The industrially advanced countries experienced in 1970 a considerable slow down in their economic activity and were equally beset with inflationary tendencies. This was noticed in most of the countries, including the United States.

The outlook for 1971 is that the combined GNP of the 21 leading industrial nations comprising the OECD, will move up to $ 2323 billion—a gain of $200 billion or 9.2 per cent over 1970. Allowing for price increase, the real growth in output is placed at 4.6 per cent. Table IV gives the individual contribution of various countries/economic groups.

Tariff Preferences

A major development in international commercial policy towards helping developing countries is the recent agreement on the establishment of Grenealised Scheme of Tariff Preferences. The concessions envisaged in the preferential arrangements might be introduced by the developed nations in stages during in 1971-72. With the full implementation of the scheme of preferences, additional imports from developing countries is estimated at $ one billion in the USA, $ 3 billion in the Continental Europe and $ 150 million in Japan.

The balance of payments difficulties of the USA, the UK and France have been reduced. The introduction of SDR facilities and the stabilisation of major currencies should give an added stimulus to global growth. As a result of Kennedy Round negotiations, industrial tariffs of developed countries of the west would have been lowered by about 37 per cent over the five years to 1971-72. These countries should be able to sustain the high rate of growth, output and trade of the sixties into 1970's.

Trade among the developing countries

TABLE II

WORLD IMPORTS: 1964 to 1969

(Million US $)

	1964	1965	1966	1967	1968	1969
1. World trade	160900	175200	192400	201700	224900	255800
2. Industrial countries	110590	120540	134020	141200	160200	184240
% (2/1)	68.7	68.8	69.7	70.0	71.2	72.0
3. UK	15949	16103	16651	17694	18995	19956
% (3/1)	9.9	9.2	8.7	8.8	8.4	7.8
4. Industrial Europe	58860	64370	69930	72130	80220	96470
% (4/1)	36.6	36.7	36.3	35.8	35.7	37.7
5. Other Europe	8480	9850	11160	11160	11530	13650
% (5/1)	5.3	5.6	5.8	5.5	5.1	5.3
6. Less developed area	35200	37400	39900	41500	45000	49000
7. India	2876	2925	2827	2807	2509	2044
% (7/6)	8.2	7.8	7.1	6.8	5.6	4.2
% (7/1)	1.8	1.7	1.5	1.4	1.1	0.8

TABLE III

EXPORTS OF INDIA, INDUSTRIALISED AND DEVELOPING COUNTRIES

(Billion US dollars)

Year	Industrialised countries	Other developed countries	Developing countries	India	World total	Percentage share of India in world Exports
1961	83.2	8.3	27.1	1.3	118.6	1.2
1962	87.5	8.6	28.7	1.4	124.8	1.1
1963	95.3	9.5	31.2	1.6	136.1	1.2
1964	107.9	10.7	34.0	1.7	152.7	1.1
1965	118.4	11.1	35.9	1.6	165.4	1.0
1966	130.8	12.3	38.3	1.6	181.3	0.9
1967	137.7	13.2	39.6	1.6	190.6	0.8
1968	155.8	13.8	43.3	1.7	212.9	0.8
1969	179.6	15.9	47.9	1.8	243.4	0 8

TABLE IV

GROWTH IN GNP OF O.E.C.D. COUNTRIES

Country/Group	GNP ($ billion) 1971	Growth rate 1970 total	In real terms after disallowing for price increase
OECD (21 countries)	2,323	9.2	4.6
USA	1,045	6.8	3.3
EEC	524	9.0	4.8
EFTA	210	7.8	2.8

constitutes only about 20 per cent of their total trade. This segment of trade has grown at an average annual rate of less than three per cent in last 15 years. Developing countries currently account for about 20 per cent of India's exports.

Economic conditions in various developing countries are far from uniform. By the end of the sixties, the developing countries as a group had achieved an average annual growth rate of five per cent, but there were considerable differences in the growth performance of various regions; the growth rate of African countries averaged four per cent per annum in the sixties, that of Latin America five per cent, Middle East 8.2 per cent and the other Asia about four per cent. The balance of payments difficulties would be a recurring feature in many developing countries forcing them to resort to import restrictions and import substitution in their development strategy in the coming years.

The economic development envisaged both in developed and developing countries should on the whole enable India to increase her exports.

Scientific Store-Keeping

L. GURU RAO & PRAKASH CHANDRA SAHU

In the field of industrial management, we notice today a greater awareness of the concept of material management than ever before. Great emphasis is now laid on the need for good material management. Broadly speaking, material management can be defined as the husbanding of the material resources of an industry with a view to obtaining the maximum possible results with a minimum possible outlay. It is this field more than any other which would affect the profitability of an industry.

The design of a scientific material management system comprises the following major functions :

(*a*) Efficient planning mechanism;

(*b*) Efficient purchase organisation;

(*c*) Proper handling, storage, preservation and accounting of materials.

Most of the material management courses conducted by the various institutes in the country lay much stress on (*a*) and (*b*). Some of these are forecasting, standardisations, codification, variety reduction, procurement lead time, determination of economic order quantities, safety levels, reorder points, various replenishment systems, and ABC techniques. All these techniques aim at the following primary goals :

(*a*) Maintaining of adequate inventory to meet the production and delivery schedules.

(*b*) Avoidance of stocking of excess inventory or unwanted material which lock up valuable capital affecting the profitability of the industry.

Much of the materials acquired are to be properly stored, preserved and accounted for as they will not be consumed immediately after acquisition. In the light of this, the problems connected with care and custody of materials are minimised if inventory is kept at optimum levels and the stocking of unwanted material is avoided. Nevertheless the keeping of certain inventories is inescapable in any industry. This is much more so in an industry which depends on imported raw materials for its production. Consequently, scientific store-keeping and material handling assumes an important role in modern material management techniques.

The following are some of the points which need detailed study and planning in scientific store management.

(*a*) Layout of the stores areas in relation to the production shops.

(*b*) Design of the stores building keeping in view the type and quantity of materials to be stored to meet the needs of the industry.

(*c*) Design/selection of suitable equipment for storage of the material.

(*d*) Design/selection of suitable material handling equipment.

(*e*) Preparation of detailed instruction manuals for proper care and custody of the stores to prevent losses due to theft, deterioration, improper handling, etc.

(*f*) Designing of a simple and economic system for the various stores operations and accounting of the materials in stores.

A study of the above aspects in detail would not be possible in this article. However, some of the main points are considered briefly.

Planning for store-keeping involves gathering all the available data relative to the items to be stored. Where exact information is not available, careful estimates are to be made. First the overall cubical space requirements are to be determined, keeping in view the maximum quantities of materials to be stored at any one time and their nature which may affect storage, such as size, weight, fragility, susceptibility to pilferage, inflammable or explosive nature, deterioration due to excessive heat, humidity, etc. The procurement lead time and the rate of usage also play an important part in determining the space requirements.

After the determination of the overall requirements of space, the next step is the breakdown of the space to accommodate the different categories of materials. The design of each storage building should suit the materials to be stored therein. The height of the building, the type of roofing and lighting, the type of floor, etc., all play an important roll depending on the nature of the material to be stored.

Location of Stores

Another important point to be considered while planning the space requirements is the type of storage equipment and material handling equipments proposed, allowances for aisles, etc. The locations of the stores buildings/areas should be planned in such a way that service to the user departments is effected in the quickest possible time.

The movement and handling of materials are to be considered in association with storage and inventory. If mechanical handling equipment such as overhead traversing cranes, forklift trucks, etc. are planned, then the height of the building and the strength of the floor play a very important part.

A regular flow of materials provides a valuable incentive to good work, whereas if the internal transport system is faulty, the time and labour required to produce a given article is increased. The objective of materials handling is to transport materials from point to point and ensure their safe delivery to the workplaces in the quickest possible time. As far as possible, duplicate handling should be avoided. Mechanical handling is a part of material handling. Many modern mechanical handling equipments are now in use and these should be considered for use taking into consideration the type of materials to be handled. A large variety of forklift trucks are now available in the market. These could be selected to suit the individual needs of the industry.

These become very useful when the stacking/storage and movement is done in pallets. Overhead traversing cranes contribute to optimum utilisation of the cubical space in the stores area. Various other handling equipments such as mobile cranes, conveyers, chutes, etc., can be used to meet the individual needs. Other common handling equipments which are widely used are hand and battery operated trollies, sack truck, hydraulic pallet lift truck, wheel barrow, etc.

The next in importance is the selection of proper storage equipment for the storage of the materials held in stock. The main objective in selecting/designing the storage equipment should be the optimum utilisation of the stores area and also the protection to be afforded to the materials from damage, deterioration, pilferage etc. Several varieties of steel shelving racks are now available in the market and a selection could be made from these to suit the individual needs. Optimum utilisation of the cubical space in the stores building is a very important factor to be considered while selecting the storage equipment. The racks should be erected to the maximum height possible with walkways at convenient levels. Special racks should be designed for storage of materials such as sheets, bars, tubes, etc. Metallic bin stack is a recent innovation and it is available in a variety of sizes and types and could be considered for use depending on the individual needs.

Prevention of Damage

Prevention of deterioration and damage of material constitutes one of the main responsibilities of the stores staff and is vitally important both from the aspect of ensuring that any item issued from stores is in fully serviceable condition and also on financial grounds. Some of the causes for deterioration/damage to stores are the following.

A. Biological : Deterioration of stores caused by living organisms such as insect pests, rats, bacteria, fungi, white ants, etc. These organisms live and for their living they need food, oxygen, moisture and warmth. If these factors which are essential for the life of these organisms are denied to them, deterioration due to biological causes can be avoided. This is a very difficult task as most of these factors are present in many of our stores. The only possible proposition is to try to protect our stores from the attack of these organisms by making the stores toxic and unpalatable to them or by keeping the stores unapproachable to the organisms.

B. Non-Biological Deterioration of Stores : (*i*) *Metal Corrosion* : Most of the metals other than noble metals such as gold, silver, platinum, etc., are appearing in nature in ore form. These are oxides, carbonates, sulphides, chlorides or silicates of metals and they show a tendency to revert to their natural state when exposed to atmospheric conditions. This reversion to their ore form is termed *corrosion*. *Rust* is corrosion of iron and steel, oxidation of iron in the presence of moisture. This term is restricted to iron and steel only while the term corrosion to all metals.

(*ii*) *Corrosion* can be prevented by the application of corrosion preventives such as oils, greases, mineral jelly, plastic compounds, etc., manufactured to different specifications are available in the market. A proper selection of these has to be made depending on the type of material on which they are to be used. In addition to applying corrosion preventive, some categories of materials should also be wrapped in oil paper. Materials susceptible to corrosion should be protected from contact with water/moisture by storing them in covered buildings with concrete flooring. Direct contact of the material with the flooring should be avoided and also sharp variations in temperature and humidity. Normally the temperature should not be less than 10°C and more than 40°C. Relative humidity should not be more than 75 per cent. The building should be protected from entry of gases such as chlorine, ammonia vapour, etc. Chemicals such as acids and alkalies should not be stored in these buildings.

(*iii*) *Non-Metallic Stores* : Rubber, wood, leather, textiles, adhesives, paints, chemicals, etc., require special storage precautions. Apart from the biological causes contributing to the deterioration of materials such as wood, leather, textiles, etc., excessive heat and improper storage also contribute to their deterioration. Rubber deteriorates rapidly if exposed to excessive heat and light. French chalk should be applied to rubber articles and these should be stored in a cool and dark place. The temperature of the stores room should not be below 0°C and above 25°C. Rubber goods should be stored preferably in air-conditioned rooms. Oils, greases, dust, dirt, acids and alkalies should not come in contact with rubber goods. Certain adhesives, chemicals, paints, etc., have very limited "shelf life" and these are also to be stored preferably in air conditioned rooms. Minimum stocks of these are to be kept and the principle of "First in First out" should be very strictly applied to these.

(*iv*) *Inflammable Stores* : Certain categories of paints, oils and chemicals are inflammable. Those having flash point below 70 F are considered as highly inflammable (Class-A). Those having flash point above 70°F and below 130°F are considered as Class-B inflammables. Storage of these are controlled by the Petroleum Act and a licence has to be obtained for the storage of these materials. Depending on the quantity of the material to be stored, the buildings have to be constructed according to the specifications laid down by the Chief Inspector of Explosives. After satisfying that the conditions for storage have been complied with, the Chief Inspector of Explosives will issue a licence for the storage of these materials. The licence has to be renewed every year. Some of the main features of the building for storage of inflammable material are the following.

(1) The building shall rest on foundation walls and shall be surrounded by a wall of substantial construction. The walls and floor shall be suitably adjusted to form a sump not more than two feet deep.

(2) The sump shall be capable of receiving and retaining a volume not less than five per cent in excess of the maximum quantity allowed for storage in the building.

(3) Ventilators shall be provided immediately above the sump level and also below the roof level. The ventilators shall be provided with copper or other non-corroding metal wire gauze of mesh not less than 28 to the linear inch.

(4) No wood shall be used in the construction of the building and all electrical fittings shall be flame proof type. Switches, fuses, etc., shall be enclosed in iron-clad gas-tight cases and shall be fixed outside the building on the wall.

(5) Depending on the quantity of material allowed for storage, a distance of approximately 20 ft. to 30 ft. shall be kept clear from the building and the open area fenced suitably.

(6) Adequate quantity of fire extinguishers to fight petroleum fires shall be placed at suitable points.

Certain varieties of paints deteriorate due to long storage. To prevent this and to extend their life, the drums or tins containing these are to be rolled or reversed at frequent intervals.

(*v*) *Dangerous, Corrosive and Poisonous Chemicals and Stores* :— Acids, alkalies, etc, are highly corrosive

and certain chemicals such as cyanides are highly poisonous. These should be kept in separate buildings and adequate precautions are to be taken while handling these materials. Contact with skin should be scrupulously avoided.

Compressed gases in steel cylinders should be kept in separate buildings. Oxygen and acetylene should not be stored together in the same area. The cylinder should be stored in a vertical position on suitable stands.

General : Adequate fire preventive measures are to be taken to protect the stores from the hazards of fire. Fire extinguishers of the appropriate type should be installed at suitable points in the stores. Buckets filled with dry sand and water should be kept at suitable points. Smoking should be strictly prohibited inside the stores. Used paper, hay, empty wooden boxes, used cotton waste, etc., should be promptly cleared from in and around the stores buildings.

Important Factor

Security of stores is a very important factor. Entry of outside personnel into the stores should be restricted. All pilferable items should be kept in lockers and the keys should be available only to a few authorised stores staff. Stores buildings should be locked and sealed after the working hours. A proper record should be kept in respect of keys of the locks put for the various stores buildings and a fool-proof system developed for the safe custody, issue and return of the keys.

For effective materials management it is essential that a proper record is maintained of all receipts and issued material. Supplies received from outside sources have to be checked and inspected against the purchase orders and taken on charge against receiving reports. Discrepancies noticed should be intimated to the concerned sections for initiating claim action. All issues are to be made against properly authorised material requisitions. Stock cards are to be kept for all the items and the receipt and issue transactions should be posted in them. Bin numbers where the material is located should also be indicated in the stock cards. Appropriate forms and standard letters are to be designed for recording all the transactions and for handling correspondence generating from these transactions. The stock cards should also contain all the information required for provisioning and replenishment of the stocks.

Some of the fundamental requirements for scientific store keeping have been briefly described above. A comprehensive manual explaining in detail the above aspects has to be developed for the information and guidance of all the stores staff and the related departments.

WINDOW ON THE WORLD

European Technological Cooperation : II

JOSSLEYN HENNESSY

LONDON :

I

EURATOM : BIGGEST FAILURE

EURATOM, THE European Atomic Energy Community, was set up in 1957 at the same time as the Common Market and groups the same six countries. When it was founded, it was regarded by many as the most important example of European integration, more important than the EEC itself. This was no doubt partly due to the particular circumstances of the time, with the widespread fear in western Europe of a fuel shortage and the insecurity felt by many countries as a result of the closure in 1956 of the Suez Canal. But it also owed much to a feeling that the technique which had seemed so successful in the running of the European Coal and Steel Community—pooling resources rather than relying on inter-governmental agreements—was widely suited to the development of this new industry. Events were to show how wrong this view was because of the attitudes of the various companies and governments in the EEC countries.

French Superiority Complex

The first problem, which in various forms came back to haunt the Community, was France's feeling of superiority over its partners. In 1955, France spent four times as much as the rest of the Six put together on nuclear research. As the price of entry, it insisted first that military research should be kept out of the hands of the new community and then that each country, other than West Germany, should be allowed a military programme of its own. This had two effects: (1) it meant that whole areas of research which might have been of use on the civil side were blocked off from the new community; (2) it made certain that France would go it alone on a major nuclear programme of its own.

The next problem occurred over the choice of the basic design for the reactor.

The French, whose nuclear programme was kept firmly in state hands, argued for gas-cooled reactors, whilst the West Germans, who used private industry for their efforts, favoured the water-cooled system that was being developed in the USA. In the end the ministers compromised by settling on a reactor design cooled by an organic liquid, which they all agreed was so unpromising as to provide little risk of competition for their own national programme ! And by the early 1960s, when the Orgel reactor design was settled on by Euratom, these national programmes were growing rapidly.

In West Germany, Siemens had bought licences on the American water-cooled design from Westinghouse, and was making significant progress. Since then, Siemens has gone on to make itself the only commercial success story in the European nuclear industry, despite relatively little government backing. Once more West Germany has proved the efficiency of private enterprise.

In France, the state atomic energy organisation was working feverishly to get some of the first-generation magnos reactors into operation. These are uneconomic, but were believed to be a first step towards the next generation. Since then, the French experience has been unhappy. Ambitious programmes for the development of advanced reactors have fallen through, and the French industry is now in a parlous state. The only commercially viable reactors are made under license from the USA and the industry is too fragmented to be effective on the world market.

II

REACTIONS

In the early 1960s, however, the French were so confident of their future success that they felt able to weaken the already ailing Euratom structure.

They insisted that the president of the five-man commission charged with running the organisation should be dismissed and that someone else should be put in with the more or less declared intention of running down the organisation, so critical integrationists alleged. Through the Council of Ministers, the French imposed cuts on the programme, reducing its budget in 1962. At the same time, they announced that they would go ahead on their own to develop a third-generation sodium-cooled reactor. By 1966, the organisation was struggling for survival, and in 1968, the system of five-year budgets ran out. Since then the organisation has existed from hand-to-mouth, with one-year budgets which make effective work impossible. Staff have been drifting away from the main research centre at Ispra and it is likely to survive only if it finds non-nuclear work.

The unkindest cut of all came in January this year, when the UK's negotiators on Common Market entry refused to pay anything for the right to the results of Euratom research. "In so far as the results are not obsolete, they are public knowledge", said the British, who had carefully stayed out of Euratom, in spite of an invitation to join. Had they joined, it is possible that the project might have been more successful but probable that they would have acted much as the French have done. The British did not participate because they felt that they had everything to lose and nothing to gain from pooling their knowledge with the Six.

Loose Grouping

Britain did, however, push for the setting up of a looser, larger grouping, the European Nuclear Energy Association (ENEA), run by OECD. This has no commission with executive powers like Euratom, but it has been slightly more successful. The Dragon advanced cooled reactor in Dorset, England, is run by ENEA. ENEA has suffered fewer problems because it has stayed more or less in the scientific world, rather than develop a project and then put it to commercial production. This was not intentional, but the very looseness of the organisation has posed problems in getting its results put into commercial practice. This has been made worse because technical leadership in the field remains firmly with the UK Atomic Energy Authority, which has had little success in commercialising its work.

Nuclear research in Europe has been running at a high level of expenditure for the last 15 years, probably accounting for a greater share of GNP than in the USA. In spite of this, no commercially successful European reactor design exists.

The Euratom failure shows that merely setting up a joint body with strong powers on paper is useless if the governments still look on technological policy as part of their *national* economic strategy. And whilst governments think of policy as a national problem and whilst transitional companies remain oddities made expensive by tax and other problems, it is unrealistic to expect governments to hive off the most potentially profitable sectors of their economies with no guarantee of fair return.

The latest attempt at co-operation

is not one but a series of projects which grew out of a proposal by the EEC Commission to set up working groups in seven key fields : computers, transport, telecommunications, oceanography, metallurgy, pollution and the building of a large computer weather forecasting centre. These projects are studied by the *Co-operation Scientifique et Technique* (COST) group, which includes the EEC, EFTA, Spain and Ireland. The EEC countries have their own sub-group *Politique de la Rescherche Scientifique et Technique* (PREST).

The COST formula has come under fire, notably for the unwieldiness of its meetings of 15 or more delegations. Its consultations are usually intergovernmental, and industry has been reluctant to risk giving away secrets to potential rivals; Rolls Royce, for example, refused to take part in the metallurgy group studying materials for turbine blades.

In spite of these problems, the group has isolated 37 specific projects within its seven main fields, and is preparing to decide which should receive backing. Real progress has been made in computers, where ICL of Britain is to co-operate with CII of France in a link-up with the American Control Data Corporation to work on a large computer for the mid-1970s. This is to be done in place of a much smaller project for a giant computer linking all the European manufacturers. Siemens, which has had considerable success making computers under US license, decided to pull out of the project. Phillips of the Netherlands, after initial hesitation, now seems likely to take part in the work of the COST group.

Common Technology Proposed

But, although COST can achieve limited goals if they are well defined in advance, it contains no means of working out a policy for technology in western Europe as a whole. All that it can hope to do is to bring closer together what already exists. It is in a attempt to fill this gap that the EEC Commission recently put forward proposals for reshaping the EEC's technology policy. These proposals, which have still to be adopted by the Six's Council of Ministers, are likely to be heavily modified in discussion, and Mr Spinessi, the new Commission member responsible for technological policy has made it clear that their main purpose is to start off a debate on what technological policy should be. Nonetheless, they do seem to go some way to solving the obvious problems which have cropped up in the previous efforts at co-operation, and will be especially important if Britain joins the EEC.

The first task which the Commission has set itself is to find a new role for its existing research centre at Ispra in Italy. In January, a new director-general was named and the Commission is to push ahead with its policy of seeking non-nuclear research jobs for the centre and for the three smaller centres scattered throughout the Community.

The second and more important task is to get a co-ordinated approach to technology as a whole. The Commission proposes that a European Committee for Research and Development (CERD) should be set up to group not only national ministries, but also firms, universities and trade unions. CERD will be charged with setting down the basic guidelines for the Community as a whole. The actual execution will be the responsibility of a semi-autonomous Commission agency.

Long-term Programme

The Commission makes it clear that it is not trying to take over control of all technology in the Community: most things, it says, can safely be left to the national level where they will operate more efficiently. The Commission does make clear, however, the need to have a long-term Community programme, and points out that unless the idea of "fair return" can be extended to cover the return on technology as a whole, the failures of the past will be repeated. It suggests that in future companies with ideas for development should be able to go to the Community agency for funds just as they can now go to their national governments.

The most important point the Commission makes is that integrating European technology can only make sense if it is part of a much wider pattern of integration of the economies of Europe as a whole. It is even harder in some ways to create a Europe-wide industrial structure in technologically-based industries than in others, because national prestige is more intimately involved. A more rational structure for deciding common technology might have avoided some of the disasters of the past, but on its own would not have meant success. Only a much wider effort on the part of governments can achieve that.

III

AN E.E.C. EXPERIMENT

But not to end on a sour note, I would point out that the Institute of West German Industry's latest report is mildly optimistic about the expansion of economic co-operation in the EEC.

For all those, says the IGI, who believe in regional co-operation and in international team-work generally, the recent decision in Brussels opens up fascinating prospects. European Community delegates agreed to begin a new chapter in the history of Europe; they decided that within 10 years the Six will (1) establish a central bank (taking any new members in, such as the UK, who may in the interval join the EEC); (2) co-ordinate their economic policies; (3) remove intra-European Community hindrances to the movement of persons and free exchange of goods, services, and capital.

Parliamentary Supervision

A common economic and monetary policy for the Six cannot be achieved without some form of parliamentary supervision. Thus the decision at Brussels may also turn out to have been, in embryo, a decision in favour of political union.

So far, in the opinion of the West German Institute, so very good indeed But the Institute thinks that it is unfortunate that the delegates have agreed only on a first step and failed to work

out a detailed plan for the EEC's further evolution. The absence of such a programme means that delicate and difficult negotiations have been postponed.

Economists who criticise the Brussels decision point out that the first step has largely to do with monetary co-ordination. This is welcome, but can it proceed smoothly without more economic harmonisation than now exists among the Six? If, for example, one or several member-nations ran into inflationary problems, as long as the EEC has no commonly agreed policy for avoiding or controlling such developments, what would there be to keep these members who were in economic trouble from exporting their inflation to other stable partner-countries ?

It is true that there is a "safety valve" or precautionary clause in the agreement : the progress towards a European economic and monetary union can be interrupted if the second stage of the EEC's evolution—that is, the period following this initial period of monetary co-operation—does not bring the requisite agreement on common political and economic approaches.

The West German Institute nevertheless concludes optimistically, if somewhat confusingly, that a big step has been taken towards a new kind of international partnership in Europe.

Sources and acknowledgements : The first two sections in this article are the second and concluding part of a summary of an exclusive report in the latest issue of *European Trends*, published quarterly (to subscribers only) by the Economist Intelligence Unit (27 St. James's Place, London, SW1), but the EIU is responsible neither for the emphasis of my summary nor for my comments based on a variety of sources.

Trade Winds

PLANNING COMMISSION

THE UNION Minister for Planning, Mr C. Subramaniam, admitted at a news conference here last week that there had been a "slip up" on the part of the Cabinet Secretariat while issuing the notification on the reallocation of business among different ministries. This notification, it may be recalled, had transferred all the matters hitherto dealt by the Planning Commission to the Ministry of Planning. This had created apprehensions whether the Planning Commission had been downgraded. Mr Subramaniam emphasised that there was nothing farther from truth than any such apprehension. The Planning Commission, he said, had in no way been downgraded; on the contrary, it had been upgraded with a view to making it a more effective body. The necessary amendment to the above notification, he hinted, would be issued soon.

Mr Subramaniam also discounted reports that the Planning Commission would be reconstituted on the lines of the Railway Board. There might be a change in its style of functioning but not in its structure, he said. The Planning Minister made it clear that the approach to planning would have to be changed to make it possible for the government to fulfil the promises it had made at the time of the mid-term poll. He did not think that the present approach was "adequate" for this purpose. Mr Subramaniam's emphasis was on reorienting the planning strategy to shift the emphasis on to the modernisation of agriculture.

Another important observation Mr Subramaniam made was that all the decisions of the Planning Comission in future would be taken by the Commission as a whole and not by individual members. The new members, he however clarified, would be experts in their fields.

Mr Subramaniam further stated that the Planning Commission in future would be keeping a close watch on the implementation of the planned schemes. He thought that this was necessary to make planning effective.

The minister indicated that some budgetary and financial procedures might be changed to make planning more purposeful. He stressed that this was necessary to avoid unnecessary delays in the implementation of planned schemes. In future, the various implementing authorities might be given indications of the allocation of resources to them well in advance rather than making them wait for knowing these allocations in the annual budgets.

GENERAL INSURANCE TAKEOVER

The union government has taken over the management of Indian and foreign general insurance companies as first step preparatory to the nationalisation and their ownership through legislation in the ensuing session of the Parliament. An ordinance promulgated by the President on May 13 vested in the government the management of about 107 Indian and foreign companies operating in this country. The union cabinet had earlier taken the decision for the immediate take-over of general insurance. Hailing the measure, at a news conference at his residence the Finance Minister, Mr Y.B. Chavan, stated that it was "as good as nationalisation." The Finance Minister announced that compensation would be paid to all Indian companies at the rate of one twelfth of the average annual profits distributed by them during the years 1967, 1968 and 1969 or at Rs 2.50 per thousand rupees of the net premium income written in 1969, whichever was higher. For foreign companies, only the second alternative would apply. On the basis of the latter formula, the compensation would amount to about Rs 28 lakhs per month during the period of take-over. The actual amount of compensation for nationalisation would be indicated in the bill to be introduced in the forthcoming session of Parliament. The government proposed to appoint custodians for all the companies. Till then, the existing managements will continue to be in charge but as agents of the government. They will be free to carry on normal day-to-day transactions but important transactions would need the prior sanction of an authorised person appointed by the government for the purpose. (For the text of ordinance see 'Records & Statistics' p. 911.)

BANNED LIST SCRAPPED

There would be no more banned list of industries for the purposes of industrial licensing. The centre has finally decided to dispense with this regulation. Hitherto there were three types of lists: (1) a list of 150 industries for which fresh applications were to be rejected outright, (2) a list of 47 industries which were to be reserved exclusively for development in the small-scale sector, and (3) a list of 50 industries which were to be considered on merit. The banned list was introduced to restrict additional capacity being set up in such sectors where there was already an excess capacity so that the units already in the field did not suffer from lack of demand for their products. On an experimental basis, the centre decided to do away with such regulation for a brief period since March last year. A review of this experiment had been undertaken of the additional capacities set up in such industries which were under the banned list earlier. The study had revealed that the suspension of the banned list had not resulted in undesirably high investment in various sectors nor was there any significant pressure on scarce raw materials. On the basis of the study, the government has decided to permanently do away with the banned list. However, the reservations to the small-scale industries continue.

OUTPUT OF CHEMICALS

The production of chemicals in this country increased substantially during

the year 1970. According to the statistics compiled by the Economics & Statistics Division of the Ministry of Petroleum & Chemicals, there was a rise of 15 to 25 per cent in the production of synthetic fibres, plastics chemicals and resins and petrochemicals. The output of ethyl alcohol was up by 7.2 per cent over the preceding year. Also, 33 important petrochemical items were being produced in 1970 as against only three in 1960. Further, during 1970, the production of caustic soda, soda ash and sulphuric acid went up by 5 to 7½ per cent, of synthetic detergents by 15 per cent and of technical pesticides (DDT, BHC and Parathion, etc.) by more than 30 per cent. Dyestuffs recorded an increase of 18.3 per cent. The output of soaps was, however, marginally less than in the year before. A study of the growth pattern of the inorganic chemicals industries during the past decade reveals that the production of caustic soda and soda ash has gone up nearly three times and that of sulphuric acid more than three and a half times. During the same period, the output of technical pesticides showed an increase of 3.7 times. In 1970, the output of most of the antibiotics, sulpha drugs and vitamins went up in varying degrees. The production of tetracyclines was more than doubled and that of most commonly used sulpha drugs increased by 15.7 per cent.

BUFFER STOCK OF FOODGRAINS

The report of the Food Corporation of India for 1970-71 gives an idea of its performance during the year in fulfilling the objectives for which it was set up: ensuring an incentive price for the farmer and building up a national buffer stock of foodgrains. In the rabi season 1970-71, the FCI purchased one million tonnes of wheat, principally in Punjab and UP, and took over about 2 18 million tonnes of wheat procured by the state governments or their co-operative marketing federations, principally in Punjab and Haryana. During kharif 1970-71 (up to the end of March 1971) it purchased over 1.35 million tonnes of rice directly and took over 0.9 million tonnes procured by state governments. While the whole operation, because of its magnitude, played a massive price support role, specific support operations were undertaken for the benefit of farmers of various regions. Thus, for the first time in Andhra Pradesh, where the previous system of procurement was through levy on rice mills only, 300 purchase centres were set up within a record time of one week and the total purchases amounted to over 150,000 tonnes of paddy. Similarly, 136,000 tonnes of paddy were procured in Punjab and Haryana, 450,000 tonnes of rice in Madhya Pradesh and over 5,000 tonnes of mustard seeds in West Bengal, as price support measures. The total stock of foodgrains with the FCI rose from 3.7 million tonnes in the beginning of 1970-71 to 4.9 million tonnes at its end.

RAILWAYS EXPAND CAPACITY

Indian Railways are in a position to handle import-export traffic in containers. This was stated by Mr R.N. Seth, a railway engineer, in a paper read at a meeting of the Institution of Mechanical Engineers recently. He stated that broad gauge flat wagons available with Indian Railways could be made use of for the transportation of containers of international specifications. Meanwhile, the Research, Designs and Standards Organization of Indian Railways had developed a special-purpose container flat wagon which would be capable of transporting both domestic 5-tonne capacity containers and the larger containers in international use. This vehicle would enable container trains to be run at a maximum speed of 100 kilometres per hour as against 75 kilometres per hour at present.

Indian Railways introduced the container service in 1966. The country has at present a fleet of 130 container wagons and 686 containers, all designed and manufactured indigenously

SOVIET MINISTER IN DELHI

Mr N.S. Erofiev, Deputy Minister for Oil Exploration, USSR, called on the Minister of State for Petroleum & Chemicals, Mr P.C. Sethi, recently. Accompanied by a team of Soviet experts, he had discussions with Mr B. Mukerji, Secretary, Ministry of Petroleum & Chemicals, and chairman and other members of the Oil & Natural Gas Commission. Mr Erofiev and the experts were in India to review the work being done by a Russian team, in collaboration with ONGC, to prepare a techno-economic report on oil exploration in the country in the next decade. The team started work in August last

year and the study is expected to be completed by September next. Mr Erofiev was of the view that all possibilities of finding oil in Cambay and Assam had not yet been exhausted.

AIR-INDIA—BOAC ACCORD

Air-India and the British Overseas Airways Corporation (BOAC) had reached an agreement on Air-India's operation of Jumbo services across the Atlantic. Air-India would operate three Jumbo services a week. A detailed commercial agreement between the two airlines was proposed to be signed shortly. Air-India would make compensation payments to the BOAC for passengers carried between Britain and the United States in excess of agreed total up to a fixed maximum sum under the formula worked out by the two airlines.

CABLE EXPORT

The cable industry has achieved a striking progress on the export front. The consortium of cable manufacturers which spearheads the export drive has built up export orders worth Rs. 5.75 crores in the last one year. Besides earning foreign exchange, these orders, which have been won in the face of stiff competition from the established rivals, will enable the industry to utilise its capacity better. Of the foreign buyers, the UAR has been the most responsive one with its orders aggregating Rs 2.7 crores. The USSR has placed orders for supply worth Rs 1.52 crores and the business with the public utility boards of Singapore has amounted to Rs 70 lakhs. What is significant is that cables worth nearly Rs 4.5 crores against these orders will be based on aluminium conductors which have a far smaller import content than cables based on copper conductors. Export orders also include PVC cables worth Rs 60 lakhs out of which supplies valued at Rs 50 lakhs go to Europe.

INDIA AT SWEDISH FAIR

The Indian Pavilion at the Swedish Fair, at Gothenburg inaugurated on May 7, drew huge crowds. The Indian Pavilion attracted keen interest in its products such as nibbling machines, grinders, electronics and sound equipment, handlooms and other textiles and tasted cashew and mango juice. On the first day about 20 enquiries were received for nibbling machine tools, jute handlooms, rayon and cotton textiles, towels, ready-made garments, woollen knitwear and sports goods.

LICENSING SIMPLIFIED

A three-fold formula was suggested at a recent meeting of the standing committee of the Central Advisory Council of Industries for simplifiation of industrial licensing procedures. These were (1) A clear enunciation of the norms that are taken into consideration in accepting or rejecting an application; (2) The setting up of an inter-ministerial machinery which should gives simultaneous consideration to an application from various points of view concurrently and not successively; and (3) a simplified but comprehensive application form to avoid repeated references to an application for further information. Mr Moinul Haque Choudhury, the Minister for Industrial Development, informed the committee that he had already instituted a study of the problems of procedural delays in the ministry and hoped to find workable solutions to it.

TAX PROCEDURE REVISED

A simplified income-tax assessment procedure has been introduced following the enactment of the Taxation Laws (Amendment) Act, 1970. Under the revised procedure, the return of income filed by a tax-payer will be accepted by the income-tax authorities; normally, the tax-payer will neither be required to visit the tax authorities nor to produce account books for evidence. In case a demand notice has been served on the tax-payer, he can raise objections and the income-tax officer in that case will be required to make a fresh assessment. In such cases, the tax-payer may have to appear personally or may have to produce account books and other evidence in support of his return of income. The revised procedure leans heavily on the completeness and correctness of the returns. It would be possible to expedite assessments if the returns are accompanied by a copy of the manufacturing and trading account, profit and loss account and balance sheet.

SILK DELEGATION FOR MOSCOW

A three-man technical delegation of the Central Silk Board, led by Dr S. Krishnaswamy, Director, Central Seri-

cultural Research & Training Institute, Mysore, left for Moscow recently. The delegation, sponsored by the Ministry of Foreign Trade under the Indo-Soviet Cultural and Scientific Exchange Programme, will tour the sericultural areas in Uzbekistan, Azerbaijan and Georgian republics for nearly four weeks to study recent developments in the silk industry in the USSR. The Central Silk Board has prepared an ambitious project to produce annually about 800 tonnes of bivoltine silk and this visit will provide an opportunity for the Indian technologists to study the scientific and technical progress made by the Soviet silk industry. The delegation includes Mr Mohd Ayub Khan, Director, Central Silkworm Seed Station, Pampore (Kashmir) and Mr S.P. Mediratta, Assistant Secretary, Central Silk Board.

INDO-U.A.R. TRADE

A review of Indo-UAR trade was made recently between official delegations of the two countries. A two-member delegation of UAR led by Mr. Mustafa Rushdy, Director General for Trade, UAR, arrived in New Delhi recently. The two delegations discussed various problems in regard to Indo-UAR trade.

BRANCH OF SYNDICATE BANK

Syndicate Bank opened a branch in the union territory of Laccadive, Minicoy and Aminidivi Islands, on April 21, 1971 in the southern most Island of Minicoy, an island off the west coast of India, 350 kilometres from Cochin. The 484th branch of the bank at Minicoy was declared open by Mr P.M. Sayeed, Member of Parliament from Laccadive, Minicoy and Amindivi Islands. Mr K. Damodara Menon, Administrator of Laccadive, Minicoy and Amindivi Islands, presided over the inaugural function.

NATIONAL LABOUR INSTITUTE

The union government will set up an autonomous National Labour Institute in Delhi for conducting studies. A provision of Rs 1.60 crores has been made in the fourth Plan for this project. This was stated by Mr R.K. Khadilkar, Minister of Labour, Employment and Rehabilitation, in his valedictory address to the trainees of twentieth course of the Indian Institute of Labour Studies in New Delhi recently. Twenty-one trainees from six countries, states and public sector projects participated in the course. So far, the institute has trained 525 labour officials.

LOAN FOR JAMMU & KASHMIR

A short-term loan of Rs one crore has been sanctioned by the Central Government to the Jammu & Kashmir state for advancing fertiliser taccavi and for purchase and distribution of seeds and pesticides. The grant of the loan follows the visit of a central study team during the second week of April for assessing to what extent the failure of rains had affected agricultural crops in three districts of Kashmir. Unprecendented drought in Kashmir Valley and some parts of Jammu and Ladakh was reported during Kharif, 1970. During winter of 1969-70, very little snow was received in the Kashmir Valley and the spring rains which are necessary for raising Kharif crops were also inadequate. Subsequently, the snow-fall during 1970-71 winter has also been very little.

DEVELOPMENT TECHNOLOGY

A one-day seminar to discuss problems concerning leather, ceramics, agricultural implements and coir production was inaugurated recently by the union Minister for Industrial Development, Mr Moinul Haque Choudhury. The seminar, which was organised by the Appropriate Technology Cell of the Ministry of Industrial Development, was attended by scientists, technologists, economists and administrators.

The need for devising a suitable technology for the developing countries, particularly in view of the scarcity of capital and abundance of labour available in such countries, has been emphasised in recent months. The problem has become specially important in view of the need for providing gainful employment opportunities on a large scale in the next few years in the rural and semi-urban areas of the country.

Company Affairs

BIHAR ALLOY STEELS

Bihar Alloy Steels Ltd, a company promoted in collaboration with Societe des Forges et Ateliers du Creusot of Paris, France, will enter the capital market on May 25 with an issue of Rs 4 65 crores comprising Rs 3.65 crores in equity shares of Rs 10 each and Rs one crore in 9.5 per cent cumulative redeemable preference shares of Rs 100 each for public subscription. The entire issue has been underwritten. The issue will close on May 28 or earlier at the discretion of the directors but not before May 27, 1971. The company is setting up a Rs 24.32-crore alloy steel plant at Patratu, near Ranchi (Bihar) with an installed capacity of 36,000 tonnes per annum of alloy constructional steels and 4,000 tonnes of alloy tool steels and high speed tool steels. The principal raw material, scrap, is available near the project site. Civil construction of the factory buildings is expected to start by the middle of this year and production is scheduled to commence by the end of 1973 or beginning of 1974. The company has an authorised capital of Rs eight crores (Rs seven crores in equity and Rs one crore in preference shares). The present issue is for Rs 5.99 crores, of which equity shares of Rs 54 lakhs will be allotted to foreign collaborators for technical know-how and of Rs 80 lakhs to financial institutions. (Rs 23 lakhs to Industrial Development Bank of India, Rs 15 lakhs to Industrial Finance Corporation of India, Rs 15 lakhs to the Industrial Credit and Investment Corporation of India Ltd, Rs 15 lakhs to the Unit Trust cf India, Rs 12 lakhs to the Life Insurance Corporation of India). The company has already received import licences for machinery. According to Dr B.C. Jain, Managing Director, the management expects to clear the arrears of preference dividend within the second year of production and pay a maiden equity dividend from 1976 onwards.

STERLING GENERAL INSURANCE

The working of the Sterling General Insurance Company Ltd during 1970 has resulted in a net profit of Rs 4.63 lakhs compared to Rs 2 95 lakhs in the previous year. Profit on realisation of investments amounted to Rs 3.41 lakhs. After adjustments, the disposable surplus amounts to Rs 11.74 lakhs. After deducting Rs 5.43 lakhs for taxation the available balance is Rs 6.31 lakhs, which has been transferred to general reserve out of which the proposed equity dividend of 12 per cent and the preference dividend will be paid. The directors have proposed to issue 49,726 fully paid-up ordinary shares of Rs 10 each at par as bonus shares to the existing shareholders in the proporation of one for every three ordinary shares held. The gross premium income has increased by 20 per cent to Rs 315.62 lakhs and net premium by 42.3 per cent to Rs 153 36 lakhs.

HINDUSTAN BREWERIES

The recent public issue of 122,500 equity shares of Rs 10 each, by Hindustan Breweries & Bottling Ltd, is reported to have been oversubscribed. Hindustan Breweries and Bottling, a new company, entered the capital market on May 11, with a public issue of Rs 12.25 lakhs in equity shares of Rs 10 each.

JESONS ELECTRONICS

Jesons Electronics Ltd, which has plans to manufacture dry battery cells, will shortly enter the market to raise capital for its project. According to present indications, it will offer for public subscription equity shares worth Rs 24.50 lakhs and the entire issue of preference shares worth Rs 10 lakhs. The company's project envisages the manufacture of 60 million dry battery cells per year for use in flash light torches and transistor radios. The total capital outlay for the project is estimated at Rs 125 lakhs which will be met from the proceeds of the total capital issue amounting to Rs 60 lakhs including equity shares worth Rs 50 lakhs, and long-term loans from financial institutions aggregating Rs 65 lakhs, including Rs 48 lakhs in foreign exchange.

JAGATJIT INDUSTRIES

Jagatjit Industries Ltd has reported a profit, before providing for corporate tax and development rebate of Rs 45.56 lakhs for 1970 against Rs 50.19 lakhs in the preceding year. Sales have increased to Rs 453.77 lakhs from Rs 356.97 lakhs. After adding Rs 6,760 being excess provision for doubtful debts written back the total is Rs 45.63 lakhs. Development rebate reserve gets Rs 2.05 lakhs, taxation Rs 24.37 lakhs, doubtful debts Rs 53,169 and general reserve Rs 18.67 lakhs. The directors have recommended a dividend of 12 per cent on equity capital payable out of general reserve.

BHARAT COMMERCE

Bharat Commerce and Industries Ltd has recorded a gross profit of Rs 155.35 lakhs during the year 1970, showing an increase of 20.5 per cent over the previous year's profit of Rs 128.91 lakhs. The directors have proposed to provide Rs 54 lakhs towards depreciation, Rs four lakhs towards development rebate reserve, Rs 26.74 lakhs towards provision for gratuity and Rs 37 lakhs for taxation. The net profit after adjustments works out to Rs 32.99 lakhs and this amount has been transferred to general reserve. The directors have recommended a dividend of 12 per cent on the increased equity capital (including bonus shares issued by the company during the year 1970). The equity shares will absorb Rs 18 lakhs as against Rs 15 lakhs distributed to equity shareholders last year.

CAPITAL AND BONUS ISSUES

Consent has been accorded to 17 companies to raise capital of over Rs 6.02 crores. Fourteen cf them are to issue bonus shares totalling over Rs 3.62 crores and the amount of bonus shares ranges between Rs 88,600 and Rs 80,32,500. The consents are valid for 12 months. The following are the details:

Suhrid Geigy Ltd, Ahmedabad, has been accorded consent to capitalise Rs 65,00,000 out of its general reserves and issue fully paid equity shares of Rs 500 each as bonus shares in the ratio of one bonus share for every three equity shares held.

Asian Paints (India) Private Ltd, Bombay-1, has been accorded consent to capitalise Rs 40 lakhs out of its general reserve and issue fully paid. equity shares of Rs 100 each as bonus shares in the ratio of two bonus shares for every three equity shares held.

Gedore (Tools) India Private Ltd, Delhi, has been accorded consent to capitalise Rs 50 lakhs out of its general reserves and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every one equity share held.

Capribans (India) Private Ltd, Bombay has been accorded consent to capitalise Rs 80,32,500 out of its general reserves and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of 17 bonus shares for every 10 equity shares held.

Morris Electronics (Private) Ltd, Poona, has been accorded consent to capitalise Rs 4 lakhs out of its general reserves and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of two bonus shares for every three equity shares held.

United Works Private Ltd, Bombay

26, has been accorded consent valid for 12 months to capitalise Rs 1,25,000 out of its free reserves and issue fully paid equity shares of Rs 100 each as bonus share in the ratio of one bonus share for every one equity share held.

Pigments & Dyestuff Private Ltd, Bombay, has been accorded consent to capitalise Rs 9 lakhs out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of two bonus shares for every equity share held.

C. K. Sen & Company Private Ltd, Calcutta, has been accorded consent to capitalise Rs 2,40,000 out of its general reserves and issue fully bonus equity shares of Rs 500 each as bonus shares in the ratio of one bonus share for every one equity share held.

Arvind Mills Ltd, Ahmedabad, has been accorded consent to capitalise Rs 50 lakhs out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every three equity shares held.

Sudarshan Chemical Industries Private Ltd, Poona, has been accorded consent to capitalise Rs 25 lakhs out of its free reserves and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every one equity share held.

T. Maneklal Manufacturing Co. Ltd, Bombay, has been accorded consent to capitalise Rs 6 lakhs out of its general reserves and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every nine equity shares held.

Sarabhai M. Chemicals Private Ltd, Ahmedabad-4, has been accorded consent to capitalise Rs 24,75,000 out of its general reserves and issue fully paid equity shares of Rs 500 each as bonus shares in the ratio of three bonus shares for every two equity shares held.

Southern Forgings Private Ltd, Madras, has been accorded consent to capitalise Rs 88,600 out of its general reserves and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every four equity share held.

Krishna Industries Private Ltd, Bangalore, has been accorded consent to capitalise Rs 4,19,800 out of its general reserves and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of two bonus shares for every five equity shares held.

Belapur Sugar & Allied Industries Ltd, Bombay, has been granted consent to the issue of capital of Rs 176,24.150 in 14,09,932 equity shares of Rs 12.50 each, to be allotted to the shareholders of Belapur Co. Ltd as fully paid up, in the proportion of four equity shares for every equity share of Rs 50 each of "BELAPUR" held as a result of the scheme of amalgamation approved by the High Court of Bombay.

Usha Telehoist Ltd. Calcutta, having a paid up capital of Rs 34,50,000 has been accorded consent for issue of further share capital of Rs 1,325,000 divided into 1,32,500 equity shares of Rs 10 each, for cash at par as right shares. The proceeds will be utilised for financing the new project for the manufacture of truck mounted load luggers and truck mounted hydraulic hoists. The consent is valid for a period of 12 months.

Saurashtera Cement & Industries Ranavav, has communicated to the government of its proposal to issue capital under clause 5 of the Capital Issues (Exemption) Order, 1969 as indicated, 9.5 per cent redeemable cumulative preference shares of Rs 100 each of a value of Rs 50 lakhs for cash at par to redeem the existing preference shares of Rs 50 lakhs which fall due on 30-11-1971.

LICENCES & LETTERS OF INTENT

The following licences and letters of intent were issued under the Industries (Development and Regulation) Act 1951, during the four weeks ended January 30, 1971. The list contains the names and addresses of the licensees, article of manufacture, types of licences —New Undertaking (NU); New Article (NA) ; Substantial Expansion (SE); Carry on Business (COB); Shifting— and annual installed capacity.

Licences Issued

Metallurgical Industries

M/s. Hindustan Construction Co. Ltd, Walchand Harichand Marg, Bombay—11. (Bhadraswan - W. Bengal)—1. Fabricated steel structurals.—1200 tonnes p.a. 2. Derrick cranes—100 tonnes p.a. (COB); M/s The Jay Engineering Works Ltd., 183-A, Prince Anwar Shah Road, P.B.No. 2158, Calcutta-51. (Calcutta—West Bengal) —Grey iron castings — 1,500 tonnes. p.a. (COB); M/s. Multiweld Wire Company Pvt. Ltd, 59, Marol-Maroshi Road, Marol, Bombay—59 (Bombay—Maharashtra) —Welded wire mesh —6,000 tonnnes per annum (NU); M/s. New Central Jute Mills Co. Ltd, 11 Clive Row, Calcutta-1. (Calcutta— West Bengal)—(i) Grey iron castings—6,000 tonnes per annum (ii) Non-ferrous castings—12 tonnes per annum (COB) ; M/s. Bird & Co (Pvt) Ltd., (Process Engineering Division), Dakhindari, Calcutta (Calcutta—W. Bengal—48. Iron Castings—2400 tonnes per annum. (b) Alloy iron castings—24000 tonnes per annum, (COB); M/s. Tata Yodogava Ltd. 3rd Floor, Tisco Old General Office Building, Jamshedpur—1 (Adityapur—Bihar)—1. Steel, steelbase and cast iron rolls—7,800 tonnes per annum. 2. Steel ingots—30,000 tonnes per annum (COB)

M/s. R.S. Steel Works, Clutterbuckganj, Bareilly (Clutterbuckganj-Uttar Pradesh)—Fabrication & galvanising of transmission towers, sub-station structures & microwave antenna towers—8,000 tonnes per annum. (COB).

Metallurgical Industries—Non-Ferrous

M/s. Premier Brass & Metal Works (P) Ltd. 8, Industrial Estate, Govindpura Bhopal-23. (Govindpura-Madhya Pradesh)—Extruded products of copper and copper alloys.—700 tonnes per annum. (COB).

Fuels

M/s. Newton Chickli Colliery Ltd, P.O. Parasia, Dist. Chhindwara. (Madhya Pradesh)—Coal—5,40,000 tonnes per annum. (SE); M/s. West Ramkanali Colliery Company, P.O. Katrasgarh, Dhanbad (Bihar). (West Ramkanali-Bihar)—Coal—1,33,000 tonnes. (SE).

Boiler & Steam Generating Plants

M/s. Belliss & Mercem (I) Ltd, 6, Little Russel Street, Calcutta-6. (Bhaddreswar-West Bengal)—1. Multistage steam turbines-6 per annum. 2. Single stage steam turbines—96 per annum, 3. Instructional steam engines—48 per annum. 4. Industrial steam engines—12 per annum. 5. Laboratory equipment comprising, (a) Pressure temperature apparatus (b) Legging & co-efficient of radiation testing apparatus, (c) Separating and throttling calorimeter—36 p.a. (COB).

Prime Movers

M/s. Acme Manufacturing Co. Ltd, Antop Hill, Wadala, Bombay-31 DD (Bombay-Maharashtra)—Internal Combustion Engines (Horizontal and Vertical between the ranges from 5 to 15 HP)—2,600 numbers per annum. (COB).

Electrical Equipment

M/s. Precision Stampings, D-6, Maharanibagh, New Delhi-14. (Faridabad-Haryana)—Electrical stampings—3000 tonns per annum. (NU); M/s. Tata-Merlin & Govin. Ltd, Raj Mahal, 84, Veer Nariman Road, Bombay-1. (Maharashtra)—Current and potential transformers of 66 KV range—250 Nos. per annum. (NA); M/s. Beni Ltd, 1, Crooked Lane, Calcutta-1. (West Bengal)—Components for controlling equipment for electric locomotives & E.M.U. Coaches —Rs 20 lakhs per annum. (NA); M/s. Andhra Mechanical & Electrical Industries Ltd, 173, Second Floor, Fateh Maidan North Road, Hyderabad-4. (Hyderabad-Andhra Pradesh)—1. Circuit breakers 11 KV.—300 nos. per annum, 2. Circuit breakers 22/33 KV. —75 Nos. per annum, 3. Current and potential transformers 11 KV.—900 nos. per annum, 4. Current

and potential transformers 22/33 KV—225 nos. per annum, 5-Isolator (motor operated type) 11/22 KV/33 KV—100 nos.

Telecommunications

Shri Shashi V. Mansata, 87, K-Park Street, Calcutta-18.(Mysore)—Semiconductor devices (transitor/diodes)—Expansion from existing capacity of 1 0 million nos. to 3.0 million nos. per annum. (SE); M/s. Garden Reach Workshop Ltd, 43/46, Garden Reach Road, Calcutta-24. (Calcutta-West Bengal)—(1) Electric anchor windlasses—20 nos. per annum, (2) Electric capstans—12 nos. (NA).

Industrial Machinery

M/s. Bird & Co (P) Ltd, (Process Engineering Division) Dakhindari, Calcutta-48. (Calcutta-West Bengal)—Equipment for fertilizer, petro-chemical and other industries comprising of water treatment plants, rubber-lined chemical equipment, mild steel, glass-lined and P.V.C. lined equipment—Rs 25 lakhs per annum. (COB); M/s. Busching Schmitz Pvt. Ltd, 66, Ring Road, Lajpat Nagar-III, New Delhi-24. (Faridabad-Haryana)—Horizontal and vertical pressure filters—Rs 24 lakhs p.a. (COB); M/s. C.R. Engineering Works Pvt. Ltd, G.R. House, 86, M. Vasanji Road, Bombay-59 AS. (Bombay-Maharashtra)—1. Pharmaceutical, machinery such as kettles and vessels, mixers, blenders, granulators, mixing and kneeding machines. 2. Chemical machinery such as pressure vessels, blaction vessels, heat exchangers & distillation columns. 3. Distillation plants for industrial alcohol, rectified sprit/rum spirit and silent spirit—Rs 15 lakhs per annum. (COB); M/s Crompton Greaves Ltd, Kanjur, Bhandup East, Bombay-78. (Bombay-Maharashtra)—Power driven pumps—30,000 nos. per annum. (COB).

Machine Tools

M/s SIM-Maneklal Industries Ltd, Vaswani Mansions, Dinshaw Vachha Road, P.B. No. 11066 Marine Line, Bombay-20. (Ahemdabad-Gujarat)—(1) Blow moulding machines BL.—KEB3, BI3 & V8—50 nos valued at Rs 1,38,05,740/ per annum (2) Silk screen printing machines D-20, 20 nos valued at Rs 3,95,200 per annum. (3) Flame treating machines F-30—20 nos. valued at Rs 2,71,700 per annum. (4) Granulators GA-8 and G-16 — 10 nos. valued at Rs 12,38,705 per annum. (NA).

Engineering Industries

M/s Dharampur Leather Cloth Co. Pvt. Ltd, 10, Chowpatty Sea Face, Bombay-7. (Dharampur-Gujarat)—Unplasticized PVC sheets, plasticized unsupported sheets, floor tiles—5,000 tonnes per annum. (NA); M/s. Leather Coats Industries Limited, Lal Darwaja, Ahmedabad. (Nandesari-Gujarat)—1. Foam expanded leather cloth—900 KM. per annum. Calendered PCV—1500 KM only 3. Flexible film & sheeting—1,050 tonnes per annum, 4 Rigid semi rigid sheets—300 tonnes per annum. (NU).

Industrial Instruments

M/s. SIMCO METERS Ltd, Motor Factory Road, P.B. No. 46, Tiruchirapalli-1. (Tiruchirappalli-Tamil Nadu)—1. Grid dip meters —50 nos. per annum, 2. Output meters—100 nos. per annum, 3. Decade condenser box—100 nos. per per annum 4. Decade resistance box—100 nos. per annum, 5. Decade alternator—100 nos. per annum. (COB); M/s. Avery India Limited, 28/2, Waterloo Street, Calcutta-1. (Ballabgarh-Haryana)—Weighing machines—Rs 223 lakhs per annum.(COB); M/s. Avery India Ltd, 28/2 Waterloo Street, Calcutta. (Calcutta-West Bengal)—Weighing machines—Rs 335 lakhs per an annum. (COB).

Fertilizers

M/s. Coromandel Fertilizers Limited, 126, Sarojini Devi Road, Secunderabad, (AP). (Vishakapatnam— Andhra Pradesh)—(1) Amonia-expansion from 107,000 tonnes to 135,000 tonnes per annum, (2) N.P. complex fertilizers (28-28-0, 20-20-0, 22-22-11)—expansion from 260,000 tonnes to 287,000 tonnes per annum, (3) Urea-expansion from 16,500 tonnes to 43,400 tonnes per annum. (SE); Fertilizer Corporation of India Ltd, New Delhi. (Ramagundam-Andhra Pradesh)—Urea 4,95,000 tonnes per annum. (NU); Fertilizer Corporation of India Ltd, New Delhi. (Talcher-Orissa)—Urea-4,95,000 tonnes per annum. (NU).

Chemicals

M/s. Gujarat State Fertilizers Co. Ltd, P.O. Fertilizer Nagar, Dist. Baroda (Gujarat). (Fertilizer Nagar—Gujarat)—1. Caprolactam—20,000 tonnes per annum. 2. Cyclohexane (bye product)—4,000 tonnes per annum. (NA); M/s. Naarden Chemical Works (P) Ltd, Plot 6, Sahi Vihar Road, Saki-Naka, Bombay-72. (Maharashtra)—Perfummery compounds—80 tonnes per annum. (COB); M/s. Alta Laboratorie Pvt. Ltd, 532, Sonepat Bapat Marg, Dadar, Bombay. (Maharashtra)—Monochloro acetic acid—300 tonnes. (NA).

Drugs & Pharmaceuticals

M/s. Indian Drugs and Pharmaceuticals Ltd, N-12, South Extension (Pt. 1), New Delhi-49. (Hyderabad—Andhra Pradesh)—Sulphanilamide —expansion from existing capacity of 50 tonnes to 110 tonnes per annum. (SE); M/s Reckit and Colman of India Ltd, 41, Chowranghi Road, Calcutta-16. (West Bengal)—1. Para-chloro-meta-xylonol—50 tonnes per annum; 2. Analgesic tablets—60 tonnes per annum, 3. Chocolatie laxatives—50 tonnes per annum. (NA).

Textiles

M/s. Shree Silk Mills, Maldhiya, Varanasi-2 (UP). (Uttar Pradesh)—Artsilk fabrics—10 power looms —after expansion total capacity of the mill will be 32 powers loom. (SE); M/s. Swadeshi Cotten Mills Co. Ltd, Swadeshi House, Kanpur (UP), Rai Bareli (Uttar Pradesh)—Cotton yarn and cloth—12,000 spindles and 300 looms (By way of transfer from existing units at Kanpur). (NU); Delhi Cloth & General Mills Co. Ltd, Textile Division, Bara Hindu Rao, Delhi-6. (Pilkhuva, Meerut, Uttar Pradesh)—Cotton yarn & cloth —30,000 spindles and 5,00 looms (By way of transfer from licensed capacity of the existing units at Delhi). (NU).

Paper & Pulp

Mrs Pudumjee Pulp & Paper Mills Ltd, Thergaon, Chinchwad, Poona-19. (Poona-Maharashtra)—Paper—(Greasproof & glassite—5,000 tonnes per annum. Pulp—5,000 tonnes p.a. (COB); India Paper Pulp Co. Ltd; 8, Clive Row, Calcutta. (Hazinagar-West Bengal)—Pulp—23,000 tonnes p.a., Paper—23,000 tonnes p.a. (COB);M/s Siddho Mal Paper Conversion Company, Siddho Mal Building, Chawri Bazar, Delhi-8. (Ghaziabad-Uttar Pradesh)—Industrial paper packaging material such as confectionery wrappers, and pharmaceuticals wrappers (cell lophane and filmbosed)—2,000 tonnes p.a. (COB); M/s Senapathy Whitelay (P) Ltd; 14, Netaji Subhas Road, Bengalore-5. (Achalu Ramanagaram-Mysore)—(i) Insulating press boards-1920 tonnes p.a. (ii) Multiply Press paper & press paper —3,000 tonnes per annum. (COB).

Sugar

The Thandava Co-operative Agricultural & Industrial Society Ltd; Tuni, Distt. East Godavari. (Payakaraopeta, Distt: Visakhapatanam, Andhra Pradesh)— Expansion in crushing capacity by 750 tonnes of sugarcane per day. After expansion capacity will be 1,250 tonnes of sugar cane per day (SE).

Food Processing Industries

M/s Anil Starch Products Ltd; Anil Road, Ahmedabad. (Ahmedabad-Gujarat)—Anhydrous dextrose—1,000 tonnes per annum. (NA); M/s Food Specialities Ltd; 3-Bahadur Shah Zafar Marg, New Delhi-1. (Moga-Punjab)—Enrich-

ed cubes)—500 tonnes per annum. (NA).

Vegetable Oils & Vanaspati

M/s Hindustan Development Corporation Ltd; 27, R.N. Mukherjee Road, Calcutta-1. (Calcutta-West Bengal)—Vanaspati—100 tonnes per day. (COB); M/s The Ganesh Flour Mills Co. Ltd; P.B. No. 1025, Subzimandi, Delhi-6. (Delhi)—Vanaspati—75 tonnes per day. (COB); M/s Mansingh Oil Mills (P) Ltd; Pandhana Road, Khandwa (MP). (Khandwa-Madhya Pradesh)—Vanaspati—50 tonnes per day. (COB); M/s Amrit Banaspati Co. Ltd; G.T. Road, Ghazaibad (UP). (Ghaziabad-UP)—Vanaspati—100 tonnes per day. (COB). Shri Manikrao Sitaram Sonavane, Chairman: Co-operative Oil Inda. Ltd, Nanded Road, Latur, Dist: Osmanabad. (Andhra Pradesh)—Vanaspati—25 tonnes per day. (COB); M/s Western India Vegetable Products Ltd; 5, Ghoga Street, Fort, Bombay. (Maharashtra)—Vanaspati—100 tonnes per day. (COB); M/s Bramhappa Tavanappanawar (Mysore) Pvt. Ltd; P.B. No. 1163, 17, Cochrane Basin Road; Madras-21-(Madras-Tamil Nadu)—Vanaspati-25 tonnes per day. (COB); M/s N.G. Vyas, The Bhaavnagar Vegetable Products Ltd Bunder Road, Bhavnagar. (Bhavnagar-Gujarat) — Vanaspati—100 tonnes per day. (COB); M/s Nav Bharat Banaspati & Allied Industries, G.T. Road, Dorah. (Punjab). (Doraha—Punjab)—Vanaspati—50 tonnes per day. (COB); M/s Vegetable Products Ltd; 1 & 2; Old Court House Corner, Calcutta. (Belgharia-West Bengal)—Vanaspati—80 tonnes per day (COB); Ahmed Qomer Bhoy, Ahmd Qomer Street, Two Tanks, P.O. Box No. 4511, Bombay (Bombay-Maharashtra)—Vanaspati—100 tonnes per day (COB); M/s Malwa Vanaspati & Chemical Co. Ltd; Bhagirathpura, Indore. (MP). (Indore-Madhya Pradesh)—Vanaspati—100 tonnes per day. (COB); M/s Shree Jagdish Oil Industries Pvt. Ltd: Kanmoor House, 281-87, Narsi Nath Street, Bombay. (Porbandar-Gujarat)—Vanaspati—75 tonnes per day. (COB) ; Shree Radakrishna Vegetable Oil Products Co., Kalluru R.S., Anantapur Distt. (AP) (Kalluru R.s., Anantapur-Andhra Pradesh)—Vanaspati—10 tonnes per day. (COB); M/s Nand Banspati, Yeshwant Niwas Palace, Yeshwant Niwas Road, Indore. (Balgarh, Dewas-MP)—Vanaspati—30 tonnes per day. (COB); M/s Ashwin Industries; Samlaya, Dist. Baroda. (Samlaya-Gujarat)—Vanaspati—50 tonnes per day (COB); M/s Jain Shudh Vanaspati Pvt. Ltd; Jain Bhavan, Hauz Quazi, Delhi-6. (Ghaziabad-Uttar Pradesh)—Vanaspati—50 tonnes per day. (COB); M/s Rajasthan Vanaspati Product Pvt. Ltd; Hamirgarh Road. Bhilwara, (Rajashtan) (Bhilwara-Rajashthan)— Vanaspati-100 tonnes per day. (COB).

Leather, Leather Goods & Pickers

The Secretary to the Govt. of Rajasthan, State Enterprise Deptt., Jaipur (Tonk-Rajasthan)—(i) Upper leather from hides—1,500 tonnes (1,33,250 nos) p.a., (ii) Sole leather—600 tonnes (3,000 nos.) per annum, (iii) Leather from skins —900 tonnes—12,59,750 nos. p.a. (NU).

Glass

M/s Vazir Glass Works Ltd; J.B. Nagar, Andheri. Bombay. (Maharastra)—Glass bottles & Penicillin vials—expansion from existing capacity of 4,320 tonnes to 10,320 tonnes per annum. (SE); M/s Alembic Glass Industries Ltd; Alembic Road, Baroda-3. (Bangalore-Mysore)—Glass container Ware Products (glass bottle)—expansion from existing capacity of 12,000 tonnes per annum 24,000 tonnes per annum. (SE).

Cement & Gypsum Products

M/s Cement Corporation of India Ltd; 5-A, Bahadur Shah Zafar Marg, Herald House, New Delhi-1. (Mandhar-Madhya Pradesh)—Portland cement—200,000 tonnes per annum. (COB); M/s Cement Corpn. of India Ltd, 5-A, Bahadur Shah Zafar Marg, Hearld House, New Delhi, (Kurkunta-Mysore)—Portland cement 200,000 tonnes per annum (COB).

Letters of Intent

Metallurgical Industries

Shri Chand Rattan Rathi; M/s Rathi Alloys & Steel Ltd; 28, Sadhana Colony, Opp Malviya Nagar, New Delhi-17. (Ghaziabad-Uttar Pradesh)—Mild steel high carbon & alloy steel billets—40,000 tonnes per annum. (NU).

Boilers & Steam Generating Plants

M/s J. N. Marshall & Co.; Bombay Poona Road, Pimpri P.F., Poona. (Poona-Maharashtra)— High efficiency process steam & high pressure hot water boiler equipment—100 nos. p.a. (NA); M/s Turner Hoare & Co Ltd; Wavel House, 15, Graham Road, Ballard Estate, Bombay-33 (DD) (Bombay-Maharashtra)—Hydro pneumatic ash handling plant —2 tons to 6 nos. per annum depending on the size of the plant as per electricity board specifications. (NA).

Electrical Equipment

Shri B.S. Goel, M/s Ajay Engg. Works; 72, Mall, Ambala Cantt. (Harayana)—(a) GLS Lamps (15-250)—4.5 million nos. p.a. (b) Trainlighting, pigmy night, colour decoration & candle lamps (except items reserved for small-scale sector)—15 lakhs nos. p.a. (NU); M/s Electronics Ltd; Electronic House, 12-A, Connaught Place, New Delhi. (Faridabad-Haryana)—Bottle coolers — 1,000 nos. per annum. (NA); M/s The Antifriction Bearing Corpn. Ltd; 401; Kakad Chamvers, 132, Dr. Annie Besant Road, Worli Bombay. (Lonavla, Maharashtra, —(i) Roller bearings—6,49,600 nos. p.a., (ii) Ball thrust bearings—2,01,600 nos. p.a. (SE); Smt B. Girija, 7-1-1045, Shankar Veedhi, Secunderabad (AP). (Hyderabad-Andhra Pradesh)—Electrical steel stampings—1,800 tonnes p.a. (COB); Shri C.L. Anand, 25, Indra Place (2nd Floor), E-Block, Connaught Circus, New Delhi. (Haryana) — (a) Automobile batteries—1.20 lakhs nos. p.a., (b) Stationery batteries—0.10 lakh nos. p.a., (c) Traction batteries—0.10 lakh nos. p.a. (NU); M/s Satellite Engg. Co, P.O. Maize Products, Kathwada, Ahmedabad. (Gujarat)—Ceramic capacitor—20.0 million nos. p.a. (NU); Shri Mahabir Prasad, 3/10, Asaf Ali Road, New Delhi. (Gwalior, Madhya Pradesh) —G.L.S. lamps (15-250W)—4.5 million p.a. (NU); M/s Mysore Electro Chemicals Works Ltd; Yeshwantpur, Bangalore-22. (Yeshwantpur, Bangalore-Mysore)—Train lighting cells—10,000 nos. p.a. (NA); M/s Shri Ram Das Motor Transport Pvt. Ltd; Subhas Rao, Kakinada, (Kakinanda-Andhra Pradesh)—Pistons pins—1.80 lakh nos. per annum. (SE).

Transportation

Shri S.M. Subramaniam, 24-C, Thanikachachalam Chetty Road, Madras-8. (Tamil Nadu)—(i) Piston—3 lakhs nos. p.a. (ii) Pistons rings—24 lakhs nos. p.a., (iii) Piston rings—3.50 lakhs nos. p.a. (iv) Cylinder liners—1 lakh nos. p.a. (NU); M/s Usha Die Castings Pvt. Ltd; N-30, Greater Kailash, New Delhi. (Haryana)—1. Pistons—5 lakh nos. p.a., 2. Piston Rings—25 lakhs nos. p.a., 3. Piston pins—5 lakhs nos. p.a (NU); M/s Atlas Automotive Components Ltd; 221, D.N. Road, Bombay. (Maharashtra)—1. piston—5 lakhs nos. p.a., 2. Piston rings—30 lakhs nos. p.a., 3. Piston pins—5 lakhs nos. p.a. (NA); M/s S.N. Vaswani, 12, Shanti, No. 1 Peddar Road, Bombay-26. (Nagpur-Maharashtra)—1. Pistons—31 lakhs nos. p.a. Pistons rings—18 lakhs nos. per annum., 3. Piston pins—3 lakhs nos. p.a., 4. Cylinder liners—1 lakh nos. p.a. (NU); Agro Industrial Corpn; 15/4, Mathura Road, Faridabad. (Faridabad-Haryana)—Automobile pressings—500 tonnes p.a., (NA); M/s Paterson Engg. Co. (I) Ltd; Chartered Bank Bldg; M.G. Road, Bombay-1. (Bombay-Maharashtra)—Panel instruments (speedo-meters, ammeter, pressure gauge, oil temperative gauge and petrol gauge)—75,000 sets per annum. (NA); Shri Dhan Singh, M/s Parima Axle & Springs Pvt. Ltd; 15/4, Mathura

Rd; Faridabad. (Faridabad—Haryana) — Tie rod & tie rod ends—1,00,000 nos. p.a., (NU); Shri Anil Kumar, 6497, Fatehpuri, Delhi. 6 (Delhi) —Crown wheels, pinions & level gears & transmission gears—2,000 tonnes & 1,000 tonnes per annum respectively. (NU); M/s Gannon Dunkerley & Co. Ltd; Chartered Bank Bldg; Bombay-1. (Bombay-Maharashtra)—Flywheel magnetos—1,00,000 nos. p.a. (NA); Shri V. Ramachandran, 20/12, Survodaya Estate, Chembur, Bombay-71. (Hospet-Mysore) -Assorted sizes of carburettors—60,000 nos. 0p.a. (NU); M/s Gasket & Oil Seals Pvt. Ltd; P. Box No. 89, Bil. Padra Road, Baroda-Gujarat. (Baroda-Gujarat)—Gaskets—42,000,000 nos. per annum. (SE); M/s Hindustan General Trading Co. Pvt. Ltd; 113, Manchardass Katra, 208, Manchardass Katra, 208, Mahatma Gandhi Rd; Calcutta-7. (Ballabgarh-Haryana)—(i) Carburettor of assorted sizes—60,000 nos. p.a., (ii) Carburettor kits—50,000 nos. p.a. (NU);M/s Indian Hardware Industries Ltd; New Township, Faridabad. (Faridabad-Hyaryana) —Carburettors of assorted sizes—60,000 nos. p.a. (SE); M/s Hindustan Monark Pvt. Ltd; 20/1; Asar Ali Road, New Delhi-20. (Ghaziabad-Uttar Pradesh)—Automobile pressed components —500 tonnes per annum. (NA); M/s Dass Hitachi Pvt. Ltd; 21-A, Janpath, New Delhi-1. (Ghaziabad-Uttar Pradesh)—(i) Carburettors of assorted sizes—60,000 nos. p.a., (ii) Carburettor kits—50,000 nos. p.a. (NU) Shri P.M. Bharadwaj, A-201, Defence Colony, New Delhi. (Ghaziabad-Uttar Pradesh) — Small carburettor -70,000 nos. p.a. (NU); Shri S.C. Chhiba, S-490, Greater Kailash, New Delhi-8. Delhi. (Gazhiabad-Haryana)—1. Crown wheels & pinions—300 tonnes p.a. 2. Gears—200 tonnes p.a., 3. Splinee shafts—100 tonnes p.a. (NU); Shri A.K. Dhawan, 45/54, Gaya Prasad Street, Kanpur. (Kanpur-Uttar Pradesh)—Brake linnings & clutch facings—120 tonnes p.a. (NU); M/s Gurmukh Singh & Sons (Regd.); Gill Road, Ludhiana-3. (Ludhiana-Punjab)—1. King pins-86,400 nos. p.a., 2. King pin thrust washers—86,000 pieces p.a., 3. King pin thrust bearing—86,000 pieces p.a., 4. King pin cutter pins—86,000 pieces p.a., 5.King pin, bushes—1,72,000 pieces p.a., 6. Spring pin bushes-2,16,000 nos. p.a., 7. Shackle pins -78 tonnes p.a., 8. Spring centre bolts—112 tonnes p.a., 9. Spring centre bolts--110 tontones p.a., 10. Spring bolts—375 tonnes p.a., 11. Shackle bolts—15 tonnes p.a., 12. Wheel hub bolts—185 tonnes p.a., 13. Nuts—125 tonnes p.a., (NA); Shri L.N. Raina, C-171, Defence Colony, New Delhi. (Ballabhgarh-Haryana)—(i) Moulded, 10,00,000, nos. p.a, (ii) Metallic moulded 10,00,000 nos. p.a., (iii) Woven type,—10,00,000, (iv) Metallic woven 10,00,000 nos. p.a., (v.) Benderisation of discs (steel)—2,00,000 nos. p.a., (vi) Clutch kicks with facing and segments of Friction materials—5,00,000 nos. p.a. (vii) Steel Discs —5,00,000 nos. p.a. Total:—32,00,000 nos. p.a. (NU), M/s Usha Automobiles & Engg. (P) Ltd; 14, Princep Street, Calcutta-13. (Cossipore-Calcutta)—Door lock remote control & window regulators — additional capacity of 1,56,000 nos. each p.a. (SE): M/s Usha Automobiles & Engg. (P) Ltd 14, Princep Street, Calcutta-13 (Cossipore-Calcutta)—Disc tumbler locking devices-additional annual capacity of 1,56,000 nos. p.a. (SE): M/s Injecto Pvt. Ltd No. 6 Sector-6 Faridabad. (Ballabgarh Haryana) — Carburettors — additional capacity of 60,000 nos. p a (SE); Shri I.S, Gajra, 101, Sada Sadan Matunga Road, Vadala, Bombay-31 (Gujarat, MP) Maharasthra) — 1. Ring gears & pinions—435 tonnes p.a. 2. Differential gears and kits — 195 tonnes p.a. (NU); M/s Bagai Motors, 82-84, Janpath, New Delhi. (Delhi)—1. Pistons—2.88 lakh nos. p.a., 2. Piston rings—11.50 lakh nos. p.a. 3. Piston pins—3.60 lakh nos. p.a. (NU); M/s Asian Forging & Engg. Co. Ltd; 3, Lord Sinha Road, Calcutta-16.(Delhi)—1. Rear axle & differential gears—1000 tonnes p.a., 2. Crown wheels & pinions & differential gears —200 tonnes p.a., 3. Transmission gears 1,200 tonnes p.a. (NU); Shri Krishna Kumar Mohindra, S.R. Industrial Corpn., 95, Sundar Nagar, New Delhi. (Najafgarh-Delhi)—Small carburettors —70,000 nos. p.a. (NU); Shri H.K. Gupta, Gannon Dunkerlay Staff Quarters, 168/169, CST Road, Kalina, Bombay. (Indore-Madhya Pradesh)—1. Pistons—5 lakhs nos. p.a., 2. Piston rings —40 lakhs nos. p.a., 3. Piston pins-5 lakhs nos. p.a., 4. Cylinder liners-1 lakh nos. p.a. (NU). Shri Raunaq Singh, M/s Bharat Steel Tubes Ltd. Allahabad Bank Bldg, 17, Parliament Street, New Delhi-1. (Maharashtra)—Spiral Bevel, Bevel spur & Helical gears and worm gears—1,000 tonnes per annum. (NU); M/s Brake Linnings Ltd. N-75, Connaught Circus, New Delhi. (Haryana)—Brake linnings & clutch facings—600 tonnes after expansion. (SE); M/s Ramon & Demm Ltd; 79, Apollo street, Fort Bombay-1. (Village Chitalsar, Distt. Thana-Maharashtra)—1.Gears (various types)—600 tonnes p.a. 2. Transmission assembly—5,000 pcs. per annum. (SE); M/s Oil Seals Mfg.Co. Pvt. Ltd; Elphinstone Bldg, 10, Veer Nariman Stret, Bombay-1. (Kandivilee, Bombay-Maharashtra)—Oil seals—20 lakhs nos. p.a. (SE); M/s Plant Engg. & Development Corporation; A-201, Defence Colony, New Delhi. (Ballabgarh-Haryana)—Shock absorbers— 4,00,000 nos. p.a. (NU); M/s Ashok Leyland Ltd; 11/12, North Beach Road, Madras. (Madras-Tamil Nadu)—Ashok Leyland comet vehicles—10,000 nos. p.a. (after expansion) (SE); M/s Jayant H. Shah, 1067, Chatushringi Rd, Poona-16. (Poona-Maharashtra)—Assorted sizes of carburettors—60,000 nos. p.a. (NU); M/s JayaHind Industries Pvt. Ltd; Bombay-Poona Rd, Chinchwad, Poona:19. (Poona-Maharashtra)—Flywheel magnetos—80,000 nos. (after expansion) (SE); M/s Escorts Employees Ancillaries Ltd; 19/6, Mathura Road, Faridabad. (Ballabgarh-Haryana) — Assorted sizes of carburettors—60,000 nos. p.a. (NU); M/s Rane Brake Linning Ltd; 147, Mount Road, Madras-6. (Ambattur-Tamil Nadu)—Brake linning & clutch facings—480 tonnes per annum. (after expansion) (SE); Shri Manmohan Singh, 11-C, Benham Hall Lane, Girgaum, Bombay. (Maharashtra)—1. Water pumps—70,000 nos. p.a., 2. Water pump repair kits—70,000 nos. p.a. (NU); M/s Coles Cranes of India Ltd; 517, Barrackpore Trunk Road, Kamarhatty, Calcutta-58. (Calcutta-West Bengal)—Coles lorry loader. (hydraulic—3 tons. capacity —240 nos. per annum. (NA).

Industrial Machinery

Shri Suresh U. Shah, 159, Sion West, Bombay-22. (Bombay-Maharashtra)—1. Paper printing machines—sizes: 400 mmx550 mm, 300 mmx 450 mm—50 nos. p.a., 2. Hydraulic cutting & book binding machine—size: 1050mm x1250 mm.—50 nos. p.a., 3. Offset printing machines—size: 450mmx575 mm & 575 mm x 900 mm.—50 nos. each. 4. Printer slotter for box making. size: 1,000, 1,250, 1,500, 2000 & 2570 mm.—50 nos. per annum. (NU); M/s Grindwell Abrasives Ltd; Army & Navy Bldg; Mahatma Gandhi Road, Bombay-1. (Mora, Uran, Dist: Kolaba-Maharashtra)—Grinding wheels—expansion by 1,500 tonnes p.a. total capacity after expansion will be 4020 tonnes p.a. (SE); M/s Vulcan Laval Ltd; 7-A, Sir Phirozshah Mehta Road, Bombay-1, BR. (Dapodi, Dist: Soona-Maharashtra)—Milk reconstitution unit size; milk storage tanks, milk powder hopper, butter oil tanks, milk pumps, balance tanks plate head exchange, S.E. ejector & SS Pipe & fittings. (NA); Shri V.B.K. Murthy, Mg. Director: Minning & Allied Machinery Corpn. Ltd, P.O. Surgapur-10. (West Bengal)—Hydraulic pit propos & accessories—500 tonnes. (NA).

Agricultural Machinery

M/s Standard Gears Pvt. Ltd; Tractor House, Near Vishwamitri Station, Baroda. (Vishwamitri-Gujarat)—Gears & Spleined shafts—2,660 tonnes per annum. (NU);M/s Deepak Industries, 16, Hare-Street, Calcutta-1. (Haryana)—Gears for tractors—150 tonnes

per annum. (NU); M/s Britannia Engg. Co. Ltd; Mcleod House, 3, Netaji Subhas Road, Calcutta-1. (West Bengal)—1. Bulldozers—75 nos. p.a. 2. Angle dozers—50 nos.p.a., 3. Rippe stand tools bars complete with hydraulics—160 nos. p.a., 4. Three point linkage—150 nos. p.a., 5. Winch attachment —30 nos. p.a., 6. Front & back loaders —20 nos. p.a., 7. Trench diggers—10 nos. p.a., 8. Side mounted cranes—10 nos. p.a., 9. Excavator attachment—15 nos. p.a.; 10. Pipe & cable laying equipment—10 nos. p.a.,11. Sheep-foot & compaction rollers—20 nos. p.a., 12. Cable control unit—50 nos. p.a., 13. Power take off attachment—150 nos. p.a. 14. Scrapper attachment—25 nos. p.a., 15. Forestry equipment—75 nos. p.a. 16. Drag line attachment—10 nos. p.a. (NA); Shri P.C. Jain, c/o Jainson (India) Ltd; 737, Church Mission Rd; Delhi-6. (Kota-Rajasthan)—Piston rings —40 lakh nos. per annum. (NU).

Mech. & Engg. Industries

M/s Venus Plastic; Prop: Venus Paper Mills Pvt. Ltd, B-38, Greater Kailash, New Delhi-48. (Haryana)—1. H.R.P.U. sacks—3 million nos. p.a., 2. PVC heavy duty sacks—9 million nos. p.a. (NU); M/s Nanavati Blow Moulded Products Pvt. Ltd; Merchant Chamber, 41, New Marine Lines, Bombay-20. (BR). (Maharashtra)— PVC bottles & containers—21.6 million nos. per annum. (NU).

Office & Household Equipment

Shri Mohan M. Shah, 265, Kalbadevi Road, Bombay-2. BR. (Andhra Pradesh)—Electric typewriters—24,000 nos. p.a. (NU).

Chemicals other than Fertilisers

M/s MICO Farm Chemicals Ltd; 6, Linghi Chetty St, Madras-1. (Mettur -Tamil Nadu)—BHC technical — expansion from 3,000 tonnes to 6,000 tonnes per annum. (SE); The Chairman-cum-Managing Director, Bharat Aluminium Co. Ltd: New Delhi. (Kobra-Madhya Pradesh)—Properzi Rods—10,000 nos. p.a. (NA); M/s Balkrishna M. Mehta, Khanna Terrace, Block No. 4, 1st North-South Road, Juhu-Parle Development Scheme, Bombay-56, AS. (Madhya Pradesh)—Polypropylene box strappinings & polypropylene strapping tapes—600 tonnes p.a. (NU); M/s Atul Drug House Ltd; Baldota Bhavan, 6th Floor 117, Maharshi Karve Marg, Opp. Churchgate Station, Bombay-20. (Vapi-Gujarat)—Formaldehyde 37% W.W. & Hexamine—14,400 tonnes p.a. respectively. (SE) Shri Ashok D. Vora; 18/4, R.A. Kidwai Rd, Wadala, Bombay-31. (Gujarat)—Polypropylene box strappings and tapes —400 tonnes p.a. (NU); M/s Travancore Electro-Chemical Industries Ltd; 90, Sundar Nagar,New Delhi-1. (Kottayam, Kerala)—Acetylene black—1,000 per annum. (NA); Tamil Nadu Industrial Dev. Corpn. Ltd; 150-A, Mount Road, Madras-2. (Tamil Nadu)——1. Soda ash—66,000 tonnes p.a., 2. Ammonium chloride—66,000 tonnes pa. (NU); M/s Agarpara Co. Ltd; National Tobacco Bldg; 1 & 2 Old Court House Corner, Calcutta-1. (Uttar Pradesh)—1. Woven (HD) polyethylene bags—7.5 million bags p.a., 2. Fumigation coverings of polyethlyene (HD) — 3,000 pieces p.a. (NU);M/s Hindustan Development Corpn. Ltd; Hindu Family Bldg; 27. Sir R.N. Mukherjee Rd, Calcutta-1 (Maharashtra)—1. Tetra ethyl/methyl lead compound—5,000 tonnes p.a., 2. Ethyl chloride—4,000 tonnes p.a. (NU).

Drugs & Pharmaceuticals

M/s Indian Drugs & Pharmaceuticals Ltd, N-12, South Extension, Part-I, Ring Road, New Delhi-49: (Andhra Pradesh)—Phenacetin—expansion from 100 tonnes to 250 tonnes p.a. (SE); M/s E. Merck (I) Pvt. Ltd, Shivsagar Estate (A), P.O. Box No. 16554, Dr. Annie Besant Road, Worli, Bombay-18.WB. (Maharashtra)—1. Vitamin-E: 4 tonnes p.a., 2. Rutin (Vitamin-P)—4 tonnes p.a.3. Fine chemicals—200 tonnes p.a. (NA); 1. Injectables—50,000 litres p.a. (after expansion), 2. Syrups 2,40,000 kgs. p.a. (after expansion), 3. Tablets/capsules—110 million nos. p.a. (after expansion). (SE).

Paper & Pulp

Shri K.L. Rajgarhia, Promoter: Madhya Pradesh Pulp — & Paper Mills: B-38, Greater Kailash-I, New Delhi-48. (Balaghat-Madhya Pradesh)—Pulp & paper—20,000 tonnes each per annum. (NU).

Fermentation Industries

M/s Sturdia Chemicals Limited, Naville House, Graham Road, Ballard Estate, Bombay-1. (Gujarat)— Citric acid—3,000 tonnes per annum. (NA).

Food Processing Industries

M/s Asian Industries Corporation; 3rd Floor, Dr. Dadabhai N. Road, Bombay-1. (Maharashtra)—I. *Bakery Machinery*:—A. plants—6 nos. p.a., B. Unit machines & spares—77 nos. p.a. II. *Biscuit Machinery*—A. Plants—2 nos. p.a., B. Unit machines & spares-28 nos. p.a., III. *Packaging Machinery*—30 nos. p.a. IV. *Confectionery Machinery* —13 nos. p.a. (NU);M/s Geofffrey Manner & Co. Ltd; Magnet House, Dougall Road, Ballard Estate, Bombay-1. (Tamil Nadu)—Milkfood for infants—2,500 ton tonnes p.a. (NU); Shri J.C. Bhatia,-Managing Director: Himachal Preserved Foods Pvt. Ltd, 2-Nizamuddin East, New Delhi-13. (Nalagarh—Himachal Pradesh)—1. Apple Juice & cider—2,500 tonnes p.a., 2. Peetin—12 tonne-p.a., 3. Other food & vegetable products — 1000 tonnes p.a. (NU).

Vegetable Oils & Vanaspati

M/s Kanoria Chemicals & Industries Ltd; 9, Brabourne Road, Calcutta-1. (Renukoot-Uttar Pradesh)—BHC technical — expansion from 3,000 tonnes to 6,000 tonnes p.a. (SE);

Leather, Leather Good & Pickers

M/s Haryana State Industrial Development Corpn. Ltd, South Eastern Hall, 1st Floor, P. N.B. House, Bank Square, Sector-17, Chandigarh. (Haryana)—1. Upper leather from skins—4,20,000 nos. p.a., 2. Lining leather from skins—1,80,000 nos. p.a. (NU).

M/s Netflow Corpn. Pvt. Ltd; 65/2, Hindustan Park, Calcutta-29. (Delhi)—1. LST process footwear—6,00,000 pairs. 2. Cemented shoes—1,80,000 pairs. 3. Single sole blake sewn footwear—1,50,000 pairs. 4. Goodyear welded shoes—1,50,000 pairs., 5. Cemented sandals—1,80,000 pairs p.a. (NU).

Ceramics

M/s Jaipur Glass & Potteries Works Ltd; Tonk Road, Jaipur-4. (Jaipur-Rajasthan)—Fine tableware crockery—2,800 tonnes per annum. (NU).

Cement & Gypsum Products

M/s Cement Corporation of India Ltd; 5-A, Bahadur Shah Zafar Marg, New Delhi. (Rajban—Himachal Pradesh)—Portland cement—200,000 tonnes p.a. (NU); M/s Cement Corpn. of India Ltd; 5-A, Bahadur Shah Zafar Marg, New Delhi-1. (Mandhar, Dist: Raipur-Madhya Pradesh)—Portland blast furnace slag cement—1,80,000 tonnes p.a. (NU).

Changes in the Names of Owners and/or Undertakings.

(Information pertains to particular licences only)

M/s Garware Nylons (P) Ltd; Bombay. (Maharashtra) to M/s Garware Nylons Limited; M/s Sarabhai M. Chemicals Limited. (Gujarat) to M/s Sarabhai M. Chemicals Pvt. Ltd.

Licences Revoked/Surrendered

(Information pertains to particular licences only.)

M/s Bidhushree Textiles Pvt. Ltd. Calcutta, (West Bengal)—Cotton Yarn; M/s Teekay Menthol Pvt. Ltd; Bombay (Maharashtra)—Menthol.

COMPANY MEETING

HINDUSTAN LEVER LIMITED

PAST AND FUTURE

Speech delivered by Mr V. G. Rajadhyaksha, Chairman, at the Annual General Meeting of Hindustan Lever Limited, held at Bombay on Thursday, 20th May 1971.

This year I am departing from the past practice when your Chairman restricted his address to a single facet of your Company's activities. The end of one decade and the beginning of another marks a milestone that would itself justify taking stock of the enterprise as a whole.

In assessing the Company's past performance and its plans for the seventies, I will confine my remarks to two questions which I feel sure are of interest to you. First of all in the face of growing concern and indeed in some quarters, trenchant criticism, about the role of large companies such as yours, what account have we given of ourselves? Secondly, in the light of the new industrial policy that has just emerged, how do we see our future?

A REVIEW OF THE PAST

Our Traditional Business

Our traditional business has been largely in good quality household consumer goods aimed at the mass market. For instance, 'Dalda' is not just an economical substitute for ghee, but a nutritious product in its own right. Similarly, 'Sunlight,' 'Lifebuoy', 'Surf' and 'Vim' have come to represent the highest standards in their product class. In a developing economy, where the accent is on production rather than on distribution and marketing, the customer's interests have often been ill-served. By contrast, a trained marketing organisation dedicated to offering the consumer precisely what she wants at reasonable prices has been an integral part of your Company's philosophy since its inception and remains one of its greatest strengths. Indeed, the emergence of marketing as a discipline and a socially worthwhile profession is something which your Company has done much to foster.

In the field of distribution we have created a network which is not only efficient and economical, but which was one of the first to penetrate deep into the countryside using methods and equipment which were new to the country. In the absence of taxation on agricultural incomes the sale of excise-bearing consumer goods in the rural areas is one of the few practicable means the exchequer has of tapping the wealth in the more prosperous farming communities.

Indianisation

During these last two decades one of the important objectives of Government policy was to persuade multinational companies to Indianise their managements. Our response may be guaged from the fact that as early as 1957 we had only a sprinkling of expatriates and there has been an Indian national at the helm of our affairs since 1961.

Again we were amongst the first to respond to Government's desire to associate Indian capital with the business. Our progress in this direction has been limited not by any reluctance in principle, but because such modest growth and diversification as we were permitted from time to time could be financed from within and did not call for any widening of the capital base.

Research and Development and Import Substitution

That industries should develop an indigenous research and development base and that one of the objectives of such R & D effort should be to reduce the country's dependence on imports of goods and know-how has been and is one of the goals of Government policy. Here also I believe your Company has an exemplary record.

We concentrated our efforts on vegetable oils — the principal raw material for the products which make up the bulk of the Company's business. The stagnant productivity of oil seeds in the face of rising demand, the theme of your Chairman's Annual General Meeting speech eleven years ago, resulted in a net deficit ten years ago and the deficit has been growing. In spite of imports amounting to over 200,000 tonnes by Government in 1970, and a good oil seed harvest in 1970-71, prices of vegetable oils are higher in India than almost anywhere else in the world.

With these and other problems in mind, a decade ago, your Company began investing in its own Research and Development facilities and to-day it has the largest and finest organisations in its field in the country. One of its major tasks was to dicover new techniques for upgrading non-traditional and inedible oils into materials suitable for making good quality soaps. Our Buying Department has played a pioneering role in promoting the collection of forest seeds such as sal. The joint effort of these departments has led to an eight-fold increase in the consumption of non-traditional oils by your Company during the last five years. Today only the physical difficulties of gathering seeds in the short time that is available before the monsoon makes collection impossible and the low value of the by-product oil-cake are the main obstacles in the way of exploiting the full potential of these oils.

Perhaps our most notable success in reducing the need for imports of oils is in stimulating the mass consumption of synthetic detergent powders and bars which replaced soap. In 1970 alone the synthetic detergents produced by your Company saved the import of over Rs. 3 crores of oils which would have otherwise been required to produce an equivalent quantity of soap. In less than three years' time, if no impediments are put in the way of our growth, this figure can be readily increased to Rs. 6 crores, or Rs. 10 crores per annum if by then the alkylate, which is one of the main raw materials, is manufactured in the country.

Another area in which your company has taken the lead in saving foreign exchange is in the chemicals which it requires for its traditional businesses. Thus, by manufacturing nickel catalyst for its own use as well as for third parties, and by producing aromatic chemicals based on entirely original know-how developed at our Research

Centre, imports worth nearly one crore of rupees are being saved every year.

Our research activity is not confined to our own facilities or to our own products. We have for instance sponsored research projects in National Laboratories and helped our suppliers to cut costs and improved the quality of their products with the object of reducing our dependence on imports.

Exports

The long-standing adverse balance of payments has been a major problem for the last 15 years and, besides import substitution, increasing exports is an important feature of the country's economic policy. In response to this your Company had built up, prior to devaluation, a substantial export business based largely on the export of high quality refined edible oils and vanaspati tailored to meet the needs of the importing countries. After devaluation such exports were banned, leading overnight to an almost total collapse of our exports. We had to begin building up a new export business from scratch and in 1970, we again reached the respectable figure of Rs. 4.8 crores. In doing so we have widened the range of exports to include non-traditional items and entered new markets. Using our familiar marketing techniques we have begun the sale of Hima food mixes to people of Indian origin overseas. We recently sent a substantial consignment of synthetic detergent powder to the U.S.S.R and hope to do so again this year.

Agro-Industries and Agricultural Extension

If the recent success with high yielding varieties of wheat could be extended to other cereals, especially rice, the day of self-sufficiency in foodgrains will not be far away. This has brought into even sharper focus the growing scarcity of indigenous fats and proteins, the other two major components of a balanced diet. In addition to finding substitutes for the traditional oils as mentioned earlier, we have succeeded by our own extension efforts and through the Vanaspati Manufacturers' Association, in stimulating the introduction of better seeds and improved agronomic practices for growing groundnuts, the nation's most important oil seed, in many parts of the country. By developing techniques which have enabled us to become one of the largest users of cotton-seed oil in vanaspati, we have encouraged the diversion of cotton-seed from its uneconomic use as a cattle feed, to oil crushing and extraction.

Through our international associates we have access to unrivalled knowledge and experience of modern palm oil plantations which if applied in suitable soil and temperature conditions can produce very high yields of oil per acre. Such conditions are believed to exist in the Andaman Islands and we have offered to place at Government's disposal the expertise to set up and run a plantation there. Immediate and urgent action both by the Centre and the States is however required if the output of indigenous vegetable oils is to increase at a pace which will allow supply to catch up with demand. The recent suggestion that Government should appoint a National Commission for Oils and Fats to suggest the means by which this can be done deserves serious consideration.

Turning to the problem of proteins, amongst the best and most widely acceptable sources of proteins in India are milk, eggs and poultry. We have helped to stimulate milk production in the Etah district of U.P. by setting up a dairy to provide a steady outlet for the surplus milk in the area and by bringing in good quality buffaloes to improve the quality of the herds.

We have also played a major role in the rapid growth of the organised animal feed industry in India by formulating and supplying dairy herds and poultry farms with high quality feeds backed by expert guidance in the setting up and operation of egg and broiler producing units.

Our agro-industrial activities have gone further. At Ghaziabad we put up the first unit in India using a unique process for dehydrating peas and at the same time helped farmers to improve the yield and quality of their pea crops. In Assam we have taken the initiative in collaborating with the tea estates to cultivate Citronella grass, on unused land on a scale which, last year, provided Citronella oil, a hitherto imported essential oil, in commercial quantities.

Management Development

To achieve progress in all these directions your Company had to develop a cadre of managers who were not only professionally competent by international standards, but were also sensitive and responsive to the nation's goals and ideals. It is now becoming widely accepted that the principal obstacle to rapid and healthy economic growth is not so much finance or foreign exchange or even natural resources, but the scarcity of such managers.

We have been privileged to play a small part in the development of such institutions as the Administrative Staff College of India, Institutes of Management and Institutes of Technology. Our contribution takes many forms — ranging from providing funds, to encouraging our senior executives to spend a significant part of their time in a teaching role or serving on the governing bodies of these institutions. A number of students and sometimes faculty members from the Institutes and colleges come to us for short-term training attachments at our offices and factories.

The training of our own managers is supplemented by the free access we have to the facilities available through our international associates. These facilities comprise specialised courses as well as short and medium-term attachments with associated companies in various parts of the world. As a result we are able to expose our managers to the latest trends in management development. Neither have we neglected training at non-management levels — over 40 per cent of our managers have risen from the ranks.

Our contribution to professional management outside the Company sometimes takes a more direct form and it is with a sense of pride that we see some of our alumni, if I may call them that, occupying high places in both public and private sector organisations.

The efficient use of Resources

In order to provide the consumer with the highest value for her money we have, over the last two decades, devoted much attention to the efficient use of resources. To mention a few examples of what we have achieved between 1960 and 1970—distribution costs have been cut from 9.1 per cent to 8.2 per cent of turnover, the number of times in a year our working capital is turned over has increased significantly and the man-hours required to produce a tonne of soap have fallen from 40 to 27. Reductions in the wastage of materials and services and improved by-product recovery have all contributed to cost reduction. We have used the full range of our managerial skills to avoid or delay an increase in selling prices and to conform to Government's policy of keeping a check on inflation.

In spite of all this, price controls which now cover 75 per cent of your Company's products have bitten deeply into our profitability and their effect on margins can be judged by the fact that purchased materials accounted for 72.2 per cent of our income in 1970 as compared to 65.4 per cent in 1961. The pricing formulae that Government have evolved take into account the cost of the major raw material but pay little or no attention to the rises that have taken place in the costs of other inputs such as chemicals, packing materials, engineering spares, fuel, transport charges, rents and wages. As a result, margins in many of our Company's traditional products are down to wafer-thin levels and their viability is threatened.

Our representations to the Tariff

Commission which has recently submitted its report on vanaspati prices and to the Bureau of Costs & Prices which is examining the cost of soaps will, it is hoped, lead to the adoption of more equitable and sensitive pricing mechanisms. We are not pleading for a "cost plus" type of formula and we do not suggest for a moment that a manufacturer's inefficiencies should be passed on to the consumer. Competition in a free market has been shown time and again to provide the best protection to the consumer. However, if this is not practicable then prices should be such as to leave the manufacturer, who makes efficient use of his resources and makes good quality products, a surplus which is sufficient to pay the shareholder a reasonable dividend, the employees a fair wage and enables the manufacturer to improve his products and techniques, modernise his plant, widen his distribution and invest in Research and Development.

To summarise, I believe it is fair to say that over the last two decades, your Company, while safeguarding the interests of the shareholder, has responded as best as it could to every call that the country's industrial and economic policy has made on it. Even with harsh price controls it has continued to provide its main customer — the common man — whether he lives in the larger towns or in the smaller villages, good quality products which provide value for money.

PROSPECTS FOR THE SEVENTIES

Consumer Products

Our contribution to the Indian economy has been in those areas where we have been able to combine the wealth of knowledge, experience and research that has been made available to us, entirely free of charge, by our associates —Unilever—with our own skills in research and development, production marketing and distribution. We are fortunate that our associates are a widely diversified business and in addition to being leaders in the range of products which we already manufacture, are amongst the foremost companies in the world in such consumer products as frozen foods and processed meats. Whilst to-day the time may not be opportune to enter these fields, because the market for such products may be too small or because current licensing policies may preclude it, we hope that one day we shall be able to play our part in bringing yet another range of quality products to the Indian consumer. We do not share the view held in some quarters that India cannot derive worthwhile benefits from international skills in the creation, production and marketing of good quality and efficient consumer goods which have provided in many countries the strongest incentive for better standards of living.

The new Industrial Policy

The industrial policy announced last year seeks to create a wider role for multi-national companies such as yours —a role which may be different to that which such companies have hitherto played in other countries, including the country in which they are based.

This new policy aims at directing the energies of your Company into the core/heavy investment sector of industry which, while it is of vital importance to the economy, is a field where neither we nor our associates have any direct experience. It could be argued that such a policy may tend to create a conglomerate type of corporate structure and by making it difficult for the economy to reap the benefits that flow from specialisation, may not turn out to be in the nation's long-term interest. Be that as it may, we have, as in the past, responded promptly to the new challenge.

Fertiliser Project

Your Company was asked by the Government to consider investing in a fertiliser project and, in particular, to participate in a joint sector venture in the Punjab in partnership with the Punjab State Industrial Development Corporation (PSIDC) to whom a Letter of Intent, it is understood, will be issued shortly. Accordingly, we commissioned a feasibility study by the Mitsui Toatsu Chemical Company of Japan and a market survey by the FACT Engineering and Development Organisation. These studies revealed that prima facie and subject to certain key requirements being met, such a project would be viable and we are at present engaged in discussions with the PSIDC and the Central Government in this regard.

In order to have access to up-to-date technology, both in the construction of the plant and on a continuing basis, it is our intention to associate with the project firms of international repute in the field of fertilisers. We have, we believe, the general skills to manage such a project and, after the gestation period associated with an undertaking of this magnitude, we expect it to provide a satisfactory return on our investment.

Our Existing Businesses

In the meantime the importance of maintaining the viability of your Company by allowing it freedom to grow in its existing businesses cannot be overemphasised. We are, therefore, also discussing with Government a number of other projects which not only seek such growth, but at the same time fully conform to Government's social and economic objectives in regard to the development of backward areas, co-operation with the small-scale sector, import substitution, etc.

The project which involves co-operation with the small-scale sector is a novel concept and you might find it interesting to hear a few details about it. The proposal we have submitted to Government is to build a factory in a backward area, which, despite its other drawbacks, is well placed in regard to supplies of non-traditional oils such as rice-bran, sal, neem, etc. The factory will convert these and other oils into a semi-processed soap using complex and relatively capital intensive processes for upgrading these non-traditional oils, and extracting a strategically important by-product-glycerine—of which there is a growing national shortage. This semi-processed material will then be despatched to a number of widely dispersed and independent small-scale units who will process it further, package it to our specifications and return it to us for marketing and distribution.

We propose, subject to obtaining the Government's approval for this project, to provide these small entrepreneurs, free of charge, the know-how required to instal and operate their equipment and to guarantee the off take of the finished goods. Such a scheme, we believe, will provide an example of how the small and large-scale sector can perform complementary roles—the large-scale unit undertaking the complex technological and marketing functions which are generally beyond the capacity of the small-scale sector, leaving the latter with the more labour-intensive, but technologically less complex activities in a way which gives the maximum benefit to the economy and conforms to the social objectives of the country.

This is not to suggest that we have not been conscious of these social objectives in the past. Our dairy project, for instance, was located in one of the most backward areas of Uttar Pradesh and is making a significant contribution to raising living standards in its neighbourhood, although the cost to us has been heavy. Likewise, as a part of our purchasing policy, we are encouraging and giving technical guidance to a large number of small- and medium-scale firms.

Whilst we are thus responding, as promptly and whole-heartedly as in the past, to the social and economic

objectives of the new industrial policy, the cost and delays, for instance, of starting up a factory in a backward area cannot be ignored. It would, I believe, be wrong if, in pursuance of the new policy, all growth on the existing factory sites is completely stopped when it is clear that such growth is the quickest and most economical way of increasing production, particularly at a time when there is a growing shortage of your Company's products.

Conclusion

In the final analysis, national growth aims at things that transcend the parameters of output and income. Two decades ago Pandit Jawaharlal Nehru observed that we should seek to improve the quality of life in our society, that our aim should be the making of better men rather than men who are merely better fed and clothed. The quality of life depends upon standards, specifically standards of excellence. May I, again in a spirit of humility, assert that the function of an enterprise like your Company in a developing society is to aim at setting such standards, albeit in the limited spheres of commerce and industry. The standards we have set span a whole host of activities ranging from the quality of the raw materials we are prepared to use to the quality of the product we are hoping to sell, from management practices within the Company to our corporate behaviour vis-a-vis the society at large. Such standards have, we believe significant, if immeasurable, effects on the values of those we meet at the boundaries of our enterprise: our customers, our stockists, and our suppliers, to cite a few.

In one sense, therefore, our activity in the seventies will be no different from what it has been in the past. We believe that this particular function of your Company draws strength from its association with a multi-national corporation. It is this international association that continuously exposes us to new and more challenging standards of excellence. In the relatively narrow view of the statute books, we may be a foreign company. But, from a larger point of view, the label is misleading as most labels are. Your Company is just as much concerned with the welfare of the nation in which it has grown as are enterprises based wholly on indigenous capital. It is this concern which, I believe, emerges out of a social audit of your Company in the sixties; and it is the same concern which will continue to permeate its plans for the future.

Note: This does not purport to be a report of the proceedings of the Annual General Meeting.

RECORDS AND STATISTICS

General Insurance Nationalised

THE PRESIDENT promulgated on May 13 the General Insurance (Emergency Provisions) Ordinance, 1971. In terms of this ordinance, the management of all insurers, Indian as well as foreign, doing business in India now vests in the government.

This is the first and preparatory step towards nationalisation of general insurance. The next step will be legislation vesting the ownership of the insurance undertakings in government and establishing corporations to transact general insurance business in the country. The bill for the purpose is expected to be introduced during the next session of Parliament.

The ordinance covers in its scope all insurers, Indian as well as foreign, who are now registered under the Insurance Act for transacting one or more classes of general insurance business or whose registration though now cancelled is legally capable of revival, that is to say, those who stood registered at any time during six months prior to the date of ordinance. There are, however, a few exceptions. The ordinance does not apply to companies which had discontinued insurance business and whose statutory deposits had been returned on the orders of a court of law. The management of the general insurance business of the Life Insurance Corporation of India and of the state govenments also do not vest in central government though the intention is that when the General Insurance Corporations come into being, state goverment agencies as also the LIC would not be permitted to engage in general insurance business. About 107 insurers are expected to be covered by the ordinance.

The ordinance provides for payment of compensation to the insurers whose management is being taken over.

The following is the full text of the ordinance:

Promulgated by the President in the 22nd year of the Republic of India.

An ordinance to provide for the taking over, in the public interest, of the management of general insurance business pending nationalisation of such business

Whereas it is expedient in the public interest that general insurance business should be nationalised.

And whereas it is expedient that pending such nationalisation, adequate steps should be taken to protect the interests of the policy-holders.

And whereas Parliament is not in session and the President is satisfied that circumstances exist which render it necessary for him to take immediate action.

Now, therefore in exercise of the powers conferred by clause (1) of Article 123 of the Constitution, the Prssident is pleased to promulgate the following Ordinance:—

1. (i) This Ordinance may be called the General Insurance (Emergency Provisions) Ordinance, 1971. (ii) It shall come into force at once.

2. In this Ordinance, unless the context otherwise requires:—

(a) "Appointed day" means the date on which this Ordinance comes into force;

(b) "Custodian" means the person appointed under Section 4 to take over the management of the undertaking of any insurer;

(c) "general insurance business' means fire, marine or miscellaneous insurance business, whether carried on singly or in combination with one or more of them ,but does not include capital redemption business and annuity certain business:

(d) "Insurance Act" means the Insurance . Act, 1938;

(e) "insurer" means an insurer, as defined in the Insurance Act, who carries on general insurance business In India, and includes, an insurer whose registration under that Act has not remained wholly cancelled for a period of six months immediately before the appointed day, but does not include the Life Insurance Corporation of India established uner the Life Insurance corporation Act, 1956, of any state government which carries on general insurance business;

(f) "notified order" means an order notified in the official gazette;

(g) "prescribed" means prescribed by rules made under this ordinance;

(h) "undertaking", in relation to an insurer incorporated outside India, means the undertaking of that insurer in India;

(i) Words and expressions used herein but not defined and defined in the Insurance Act, have the meanings respectively assigned to them in that Act.

3. (1) On and from the appointed day, the management of the undertakings of all insurer shall vest in the central government and, pending the appointment of a custodian for the undertaking of any insurer, the persons in charge of the management of such undertaking immediately before the appointed day shall, on and from the appointed day, be in charge of the management of the undertakking for and on behalf of the central government; and the management of the undertaking of the insurer shall be carried on by them subject to the provisions contained in such sections (3) and (5) and to such further directions, if any, as the central goverment may give to them by notice addressed and sent to the principal officer of the insurer.

(2) Any contract. whether express or implied, providing for the management of the undertaking of an insurer, made before the appointed day between the insurer and any persons in charge of the managemet of such undertaking immediately before the appointed day, shall be deemed to have terminated on the appointed day.

(3) No insurer shall ,without the previous approval of the person specified by the central government in this behalf in respect of that insurer (hereinafter referred to as the "autho rised person");

(a) make any payment or grant any loan otherwise then in accordance with the normal practice observed by him in respect of such matters immediately before the appointed day;

(b) incur any expenditure from the assets appertaining to the undertaking otherwise than for the purpose of making routine payment of salaries or commissions to employees, insurance agents or for the purpose of meeting the routine day to day expenditure;

(c) transfer or otherwise dispose of any such assets or create any charge, hypothecation, lien or other encumbrance thereon;

(d) invest in any manner any moneys forming part of such assets;

(e) acquire any, immovable pro-

perty out of any moneys forming part of such assets;

(f) enter into any contract of service or agency whether express y or by implication, for purposes connected wholly or partly with the undertaking or vary the terms and conditions of any such contract subsisting on the appointed day;

(g) enter into any other transaction relating to the undertaking of the insurer other than a contract relating to the transaction of general insurance business or vary the terms and conditions of any agreement relating to any such transaction subsisting at the comencement of this Ordinance.

(4) The approval of the authorised person may be given either generally in relation to certain classes of transactions of the insurer or specially in relation to any of his transactions.

(5) Every insurer shall deposit all securities and documents of title to any assets appertaining to the undertaking in any scheduled bank or nationalised bank in which the insurer had an account immediately before the appointed day or in any branch of the State Bank in the place where the head office or the principal office of the insurer is situated of, where there is no, branch of the State Bank in such place, the nearest branch of the State Bank and no such security or document shall be withdrawn from the scheduled bank ,the nationalised bank or the state Bank, as the case may be, except with the permission of the authorised person:

Provided that nothing contained in this sub-section shall apply to any security or document of title kept in trust with an official trustee in pursuance of the articles of association of an insurer unless the central government, by notified order, otherwise directs·

Explanation: In this sub-section, (a) "Scheduled Bank" means a bank included for the time being in the Second Schedule to the Reserve Bank of India Act, 1934;

(b) "State Bank" means the State Bank of India constitituted under the State Bank of India Act, 1955;

(c) "Nationalised Bank.' means a corresponding new bank as defined in the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970.

(6) Every insurer shall deliver forthwith to the person specified in this behalf by the central goverment in respect of that insurer the following documents, namely;

(a) the minutes book or any other book in India containing all resolutions upto the appointed day of the persons in changc of the management of the undertaking before the appointed day;

(b) the current cheque books, relating to the undertaking which are at the head office or the principal at the head office or the principal office of the insurer;

(c) all registers or other books containing particulars relating to the investment of any moneys appertaining to the undertaking including investments on mortagaged properties and all loans granted and advances made;

(d) all brokers' notes or certificates in the possession of the insurer in respect of any orders for the investment of any moneys appertaining to the undertaking.

(7) Without prejudice to the generality of the powers conferred by sub-section (1) and to the provisions contained in sub-sections (3), (5) and (6), any direction issued under sub-section (1) may require the persons in charge of the management of the undertaking of an insurer under this Ordinance to furnish to the central government or to the authorised person such returns, statements and other information relating to the undertaking as may be mentioned in the direction.

(8) The persons in charge of the management of the undertaking of an insurer under this Ordinance shall be entitled to such remuneration, whether by way of allowance or salary or perquisites as the central government may fix; and any such person may, by giving one month's notice in writing to the central government of his intention so to do, relinquish charge of the management of the undertaking.

4. (1) The central government may, as soon as it is convenient administratively so to do, appoint any person as custodian for the purpose of taking over the management of the undertaking of an insurer and the person so appointed shall carry on the management of the undertaking of the insurer for and on behalf of the central government.

(2) On the appointment of a Custodian under sub-section (1), the charge of management of the undertaking of the insurer shall vest in him and all persons in charge of the management of such undertaking immediately before such appointment shall cease to be in charge of such management and shall be bound to deliver to the Custodian all books of account, registers or other documents in their custody relating to the undertaking of the insurer.

(3) Nothing contained in sub-sections (3). (5) and (6) of section 3 shall apply to any insurer the charge of management of whose undertaking has been taken over by the Custodian, but the central government may issue such directions to the Custodian as to his powers and duties as it deems desirable in the circumstances of the case, and the Custodian may apply to the central government at any time for instructions as to the manner in which he shall conduct the management of the undertaking of the insurer or in relation to any matter arising in the course of such management.

(4) The Custodian shall receive from the funds of the undertaking for the charge of management of which he is appointed under sub-section (1) such remuneration as the central government may fix.

(5) The Custodian shall hold office during the pleasure of the central government.

5. The Custodian may, in relation to the undertaking of any insurer the charge of management of which has been taken over by him, exercise:

(a) all or any of the powers which the Controller of Insurance may exercise under section 106 or section 107 of the Insurance Act;

(b) all or any of the powers under section 52B, section 52BB, section 52C or Section 52D of the Insurance Act which an Administrator appointed under section 52A of that Act could have excercised in relation of life insurance business of an insurer.

6. (1) Every insurer shall be given by the central government compensation for the vesting in it, under section 3, of the mangement of the undertaking of the insurer.

(2) For every month during which the management of the undertaking of the insurer remains vested in the central government, the amount of compensation referred to in sub-section (1) shall be:

(a) in the case of an insurer referred to in clause (b) of sub-sec-

tion (9) of Section 2 of the Insurance Act.

(i) Where the insurer has declared a dividend during at least one of the three calendar years 1967, 1968 and 1969 : (A) a sum equal to one-twelfth of the annual average (for the three years) of the amount distributed to shareholders as dividend; or (b) a sum equal to two and a half rupees for every thousand rupees or part thereof of the net premium income of the undertaking of the insurer during the year 1969, whichever is greater;

(ii) in any other case, a sum equal to two and a half rupees for every thousand rupees or part thereof of the net premium income of the undertaking of the insurer during the year 1969;

(b) in the case of an insurer referred to in clause (a) of sub-section (9) of section 2.of the Insurance Act, a sum equal to two and a half rupees for every thousand rupees or part thereof the net premium income of the undertaking of the insurer in India during the year 1969.

7. (1) The compensation referred to in section 6 shall be paid by the central government in cash to every insurer.

(2) The compensation received by an insurer under section 6 shall be dealt with by him in such manner as may be prescribed.

8. If any person; (a) fails to deliver to the custodian any books of account, registers or any other documents in his custody relating to the undertaking of an insurer in respect of the management of which the cusdian has been appointed, or

(b) retains any property of such insurer appertaining to the undertaking of the insurer, or

(c) fails to comply with the provisions contained in sub-section (3) of sub-section (5) or sub-section (6) of section 3, or

(d) fails to comply with any direc tions issued under sub-section (1) or sub-section (7) of section 3, he shall be punishable with imprisonment for a term which may extend to six months, or with fine which may extend to one thousand rupees, or with both.

9. No proceeding for the winding up of an insurer, the management of whose undertaking has vested in the central government under this ordinance or for the appointment of a receiver in respect of such business, shall lie in any court.

10. In computing the period of limitation prescribed by any law for the time being in force for any suit or application against any person by an insurer in respect of any matter arising out of his undertaking, the time during which this Ordinance is in force shall be excluded.

11. The provision of this Ordinance shall have effect notwithstanding anything inconsistent therewith contained in any other law for the time being in force or in any instrument having effect by virtue of any law other than this Ordinance.

12. The central government may, by notified order, direct that all or any of the powers exercisable by it

AUTHORISED PERSONS

The following are the authorised persons appointed under the Ordinance:

(1) Mr M.L. Wadhawan—Delhi.
(2) Mr G.H. Damle—Bombay.
(3) Mr S. Subramanian—Bombay.
(4) Mr G.S. Sethi—Bombay.
(5) Mr D.K. Tillumal—Porbandar and Bhavnagar.
(6) Mr S. Parthasarthy—Belgaum.
(7) Mr S.Krishnamoorthy—Calcutta.
(8) Mr C.B. More—Calcutta.
(9) Mr C.L. Jain—Cuttack.
(10) Mr S.R. Kumrai—Madras.
(11) Mr B.N. Malhotra—Hyderabad.
(12) Mr M. Srinivasan—Madurai.
(13) Mr R. Srinivasan—Mysore.

Mr Wadhawan has been picked up from the union Ministry of Finance. All others are from the office of the Controller of Insurance.

STATISTICAL DATA

1. Assets taken over		about Rs 240 crores.
2. Total profits made by all insurers (including the profits paid to the Govt. by LIC) during last three years (1967, 1968, 1969)		Rs 2.75 crores. (average).
3. Profits of foreign insurers a year or more		about one crore.
4. Gross premium—written direct by insurers:	Indian Insurers	Foreign Insurers
1969	Rs 108 crores	Rs 23 crores.
5. Total number of employees		about 25,000
6. Insurers taken over		64 Indian (including Oriental, Jupiter and Indian Guarantee of LIC). 42 Foreign.
		106

7. Total Premium income of insurers (Indian) (excluding LIC) Rs 90 crores.

8. Compensation— As a first step, the managements have been taken over. During the period the managements remain with the government in the case of Indian insurers (other than mutuals) it will be 1/12th of the average annual profits distributed during the three years—1967, 1968, 1969.

Or

Rs 2.50 per thousand rupees of the net premium income written in 1969, whichever is greater. For all other insurers including foreign insurers the latter basis above will apply.

On the basis of Rs 2.50 per thousand, the compensation would be about Rs 28 lakhs per month of take-over; the actual amount may be higher because of the "profit basis" mentioned above applying in same cases.

The proposed bill to nationalise will determine the actual amount of compensation to be paid.

Total Indian new business (March 31, 1961) 14,50,095.

under this Ordinance may also be exercised by any such person as may be specified in the order.

13. (1) No suit prosecution or other legal proceeding shall lie against any Custodian or authorised person in respect of anything which is in good faith done or intended to be done under this Ordinance.

(2) No suit, prosecution or other legal proceeding shall lie against the central government or any Custodian or authorised person for any damage caused or likely to be caused by anything which is in good faith done or intended to be done under this Ordinance.

14. Notwithstanding the provisions of section 3 of the Insurance Act, the Controller of Insurance shall not, after the appointed day, issue any certificate of registration under that section to any person.

15. Nothing contained in this Ordinance shall apply to:

(a) any insurer whose business is being voluntarily wound up or is being wound up by a court;

(b) any insurer to whom the Insurance Act does not apply by reason of the provisions contained in section 2E thereof;

(c) the Calcutta Hospital and Nursing Home Benefits Association Limited;

(d) the Export Credit Gaurantee Corporation;

(e) the Deposit Insurance Scheme;

(f) any scheme of insurance which might be exempted by the central government relating to—

(i) crop and cattle,
(ii) war risks,
(iii) emergency risks;

(g) general insurance business carried on by state government or by the Life Insurance Corporation of India.

16. (1) The central government may, by notification in the official gazette, make rules to carry out the provisions of this Ordinance.

(2) In particular, and without prejudice to the generality of the foregoing power, such rules may provide for all or any of the following matters, namely;

(a) the form and manner in which books of account appertaining to undertakings shall be maintained by insurers;

(b) the manner in which any compensation payable under this Ordinance shall be dealt with by an insurer;

(c) the circumstances in which the remuneration payable to persons in charge of the management of the undertaking of an insurer under this Ordinance or to Custodians shall be met by the central government, whether wholly or in part;

(d) any other matter which may be, or is required to be, prescribed."

AIMO Annual Session

THE THIRTY-FIRST Annual Conference of the All-India Manufacturers' Organisation was held in Bangalore on May 7 and 8, 1971. While inaugurating the conference, the President, Mr V.V. Giri, exhorted the industrialists and entrepreneurs to take advantage of the buoyant circumstances prevailing both in the agricultural and industrial fronts and plan ahead with vision and courage. He also stressed the need for the rapid growth of labour-intensive small-scale and cottage industries as it would absorb idle manpower. There was absolutely no conflict, Mr Giri said, between the big and small industries as they were complementary and supplementary to each other.

Mr S.M. Dahanukar, in his presidential address, welcomed the government's move to reorient the fourth Plan and also pledged the AIMO's support to the Prime Minister's programme to abolish poverty, provide employment and arrest the rising prices. He also outlined an eight-point plan for massive development of the industrial sector. The following is a brief summary of Mr Dahanukar's presidential address.

Support to the Progressive Measures of the Government

Mr Dahanukar fully supported the Prime Minister's move to tackle the three main problems facing the country viz. (a) abolition of poverty; (b) providing large scale employment, particularly of the educated unemployed and (c) to arrest the rise in prices, and welcomed the provision of 50 crores of rupees for providing immediate employment.

Welcoming the government's efforts to re-orient the fourth Plan Mr Dahanukar hoped that a practical direction will be given to the Plan forthwith.

Victory against Poverty

Since the abolition of poverty is inextricably bound up with the growth of wealth, acceleration of gross national product (GNP) is of utmost importance. The AIMO chief stressed that unless we resort to basic policy changes, leading to productive utilisation of the existing resources and savings — induced policy orientation, removal of poverty and increase in the employment cannot be achieved.

The President made a relevant observation on the basis of the AIMO delegation's recent visit to Japan and the far east Asian countries when he stated that Japan was able to attain rapid and continued rate of increase in GNP due to maintaining high quality production and the high sense of loyalty to the country on the part of the Japanese, and that in countries such as Malaysia there was almost no inflation during the last 10 years. In the light of these experiments the President called upon the government to reconsider and revise its policies so as to attain maximisation of national savings. The president of the organisation mentioned two directions in which concerted efforts should be made to accelerate the GNP viz. (i) vigorous and continued persuance of efforts so as to increase the output of agricultural produce not only in foodgrains but also in the various commodities required by the industry; (ii) registering an all round increase in industrial production so as to reach the "self supporting" phase of the "take off stage" of development which was originally hoped to be attained in 1971, 20 years after the start of economic planning.

Effective Measures

Mr Dahanukar put forward the following suggestions to effect the massive programme of industrial development particularly in the small-scale sector.

(i) Agricultural transformation and rapid expansion of agro-industries.

(ii) A small reduction in corporate tax.

(iii) A higher development rebate for providing housing to the employees.

(iv) Limitations placed on large industrial houses and the improper concept of monopoly need to be revised on pragmatic basis so that those who are willing to invest, take risks and add to the production of wealth be given an opportunity and encouragement to contribute to national wealth.

(v) Removal of restrictions on start-

ing of industries particularly with export potential.

(vi) Simplification of procedure to expedite decisions. The government's announcement to appoint Task Forces to remove obstacles in the way of speedy implementation for investment programmes and to accelerate the changes in the structure and functioning of administration apparatus was welcomed by the President.

(vii) Compensation to be given in view of the disadvantages that one faces when setting up industry in underdeveloped areas which lack sufficient infra-structure.

(viii) We should also freely encourage expansion of small units and assist them to attain efficiency. Reserving specific sectors of production for small industries should not be made a prominent feature.

The AIMO President recommended the appointment of a Committee of experts under the Chairmanship of the Planning Minister to formulate programme to evolve a long term employment strategy, say, on a ten year basis. The enormous task of providing employment to the millions should be shared by all who can provide employment, since the task is too big for government alone to shoulder.

Lowering of Prices

This question of vital importance requiring continued vigilance should be tackled in two ways viz. encouragement to improve productivity which will help bring down prices and secondly lowering the level of indirect taxation on all essential consumer goods of mass consumption.

Industrial Relations

Mr Dahanukar expressed great concern at the industrial production being increasingly hampered by strikes and other tactics adopted by the employees and the lack of a sense of duty among them. Mr Dahanukar put forward the following suggestions to counteract the evils arising from the situation.

(i) With a view to prevent the bypassing of labour legislation in respect of strikes, the definition of strike should be amended to include such tactics as go-slow, sit-down strikes or work to rule agitations.

(ii) To evolve more direct and speedy machinery for the settlement of disputes within a reasonable time, in place of the present machinery for referring disputes to arbitration.

(iii) It is high time that we evolved the basis for linking wages with productivity.

Export Performance

According to the President there is an urgent need for ensuring sustained and continunuous crash assistance to critical exportable items.

Mr Dahunukar suggested that the new Trade Development Authority should co-ordinate the export efforts of all the small and ancillary industries which have a great potential for exports to America, Europe and Japan.

The President was emphatic that creation of exportable surpluses was more important than curtailing home consumption by way of higher duties which will tempt exporters to take advantage of home market rather than external market. The President emphasised the need for streamlining administrative procedures for drawback and incentives.

World Trade Centre

Mr Dahanukar referred to World Trade Centre which has now been registered as a separate limited company under the name and style "Dr M. Visvesvaraya Indusrial Research and Development Centre". This company has now taken over the entire scheme costing about 9 crores of rupees and comprising a complex of four principal buildings viz., (i) An export centre for holding exhibitions; (ii) The Commerce Centre; (iii) Trade Centre; and (iv) Service centre. Mr Dahanukar made a fervent appeal for active support and co-operation from the industries, government and other members.

Floating Fair

The AIMO chief, reiterated the suggestion of the organisation that organising a Floating Fair will give a permanent boost to our exports. The AIMO had offered to equip a ship if it was made available by the government: Such Floating Fair is to go round the different parts of the world once in six months carrying not only the traditional items but also manufactured items such as those of the engineering, plastic and electronic industries. The AIMO delegation which recently visited Japan and south east Asian countries was surprised to see a great demand for such items in the Phillipines, Indonesia, Malaysia and other countries.

Mr Dahanukar was of the opinion that Floating Fair of this type would more than pay itself in the form of orders for export of our manufactured items.

RESOLUTIONS

The following resolutions were passed by the All-India Manufacturers' Organization at the thirty-first annual conference which was held in Bangalore on May 7 and 8, 1971.

Role and Responsibilities of Business and Industry Today.

The national economy is in the process of fundamental change, the nature and structure of which must be fully appreciated by business and industry to frame its response to it. Only then can its true role and responsibility in the changed context can emerge.

In the opinion of the AIMO, the primary task of business and industry is to wholeheartedly participate in the planned development of the country by offering to pool its resources and talents in the common endeavour. However, to get the best, the government on its part should streamline the procedures and cut down delays in decision-making at all levels, considerably improve inter-ministerial co-ordination, repose trust and confidence in business and industry and in general adopt a positive approach on vital issues such as size, profit and success, by commending satisfactory performance. Only with such wholehearted co-operation and faith between different sectors of the economy and government can rapid economic growth be assured. However, we may emphasise that the avowed objective of social justice can, in the ultimate analysis, be fulfilled only through galvanising of all productive agencies in the country to maximise output and by equitable distribution.

Social and political objectives will henceforth be very important determinants of economic policy. The side-effects of economic growth are being highlighted such as growing unemployment, inflation, imbalances in regional development. The drive, the expertise and the energy of entrepreneurs will now essentially have to be deployed to meet these objectives. Some of the key areas which should engage the urgent attention of business and industries are to:

(1) evolve greater understanding of the role of government and prescribe such modification in policies and measures as may be deemed necessary after deep study of issues involved;

(2) evolve special employment programmes for immediate and long term needs to look after the immediate needs of the educated unemployed by establishing service centres in the backward areas; broaden the base of recruitment with some special quotas assigned to the unprivileged, backward and low income groups subject to certain minimal educational attainments;

(3) widen the managerial base in the true sense by professional appointments

both at the level of the board of directors and operating management;

(4) curtail drastically all forms of ostentatious living and expenditure;

(5) spearhead research and development activities, earmarking a certain percentage of sales income for this purpose depending upon the nature of industry, either at the unit industry level, preferably in active co-operation with national research laboratories;

(6) launch active programme of consumer guidance, consumer protection and consumer service, distinct from sales, to effectively deal with consumer problems and complaints arising from price, quality and after sales services;

(7) make special efforts to set up mass merchandising network in rural and backward areas on an individual or joint basis to improve the level of consumption in these areas;

(8) undertake programmes of cost reduction through continuing review of existing production and administrative methods and induction of modern technical and management concepts;

(9) voluntarily accept social audit for evaluating the quality of management performance in planning, organising and utilisation of resources which should cover appraisal of attainment of public and social responsibilities such as good citizenship obligations, contributions to the national exchequer in terms of rupees and foreign exchange, contribution to creation of employment opportunities and improving the welfare of the employees and their families. The findings of such audit by an independent agency should be widely communicated to the public at large to establish a better report.

Financing of Industry

Industrial production in several sectors of the economy has not been keeping pace with the rising demand resulting in accentuation of pressures on prices and employment. One of the major constraints has been the non-availability of adequate short-term finance for working capital requirements even to operate industrial units at existing levels.

Short-term Finance: Our organisation is, therefore, very concerned at the ad hoc manner in which ceilings are sought to be imposed by several commercial banks on limits already sanctioned to industrial units, large and small, based on their withdrawals during the previous year. This we submit is not at all rational and particularly affects harshly units which have just come out of the recession and those which have managed their affairs prudently and have rightly relied on the undrawn cash credit facilities for financing their current and future requirements.

In the opinion of our organisation freezing of credit facilities on such an arbitrary basis will only militate against the objective of price stability and increased production by stifling growth at the very time when it is showing signs of gathering momentum. This could only lead to perpetuation of scarcities in various commodities and articles, accentuate the price spiral and thus aggravate hardships on the weaker sections of the community.

The AIMO is happy to note that within 18 months after nationalisation the total deposits of the banks have risen by Rs 1,500 crores. In view of this it is not necessary that curbs of the above type be imposed. On the contrary genuinen eeds of all productive units should be fully met. There are also cases where certain industries perforce are required to hold large stocks of finished goods as these are not released under government orders or they are forced to stockpile imported raw materials in bulk offered by the government canalising agencies, where even the normal credit facilities earlier enjoyed are denied. The additional credit in such situations should be allowed over and above the normal facilities.

Term Finance: In respect of term finance the position for some time has been relatively comfortable in view of the slack in new investments arising from many uncertainties in governmental policies and the inordinate administrative delays. The position now is already changing for the better and our organisation feels this is the most opportune time for the financial institutions to streamline their processing machinery to cut down delays to the minimum on the undernoted lines:—

(a) in respect of large projects joint participation should be encouraged and the IDBI should have the final say as to the participation inter se;

(b) a time limit of three months should be specified for completion of underwriting and loan arrangements and for which purpose the Inter Institution Committee should meet more frequently, say once a week;

(c) insistence on personal guarantees should be dispensed with as economic viability of the project and competent professional management should inspire enough confidence; and

(d) making additional finance available for meeting overruns in very genuine cases arising from reasons beyond control of the promoters should be left to the discretion of the heads of the institutions, subject to a ceiling.

Our organisation would particularly invite the attention to the fact that the non-availability of sufficient finance and the very many procedural bottle necks and delays arising therefrom, is felt by the small-scale units more severely then the larger units despite their inclusion in the priority sector and the widely publicised support and preference for them.

New Basis for Industrial Partnership

The AIMO pledges its full support to the government in the achievement of the objectives of removal of poverty and creation of opportunities for large-scale employment.

Main Approaches: In its opinion there are two important approaches by which these objectives could be achieved:

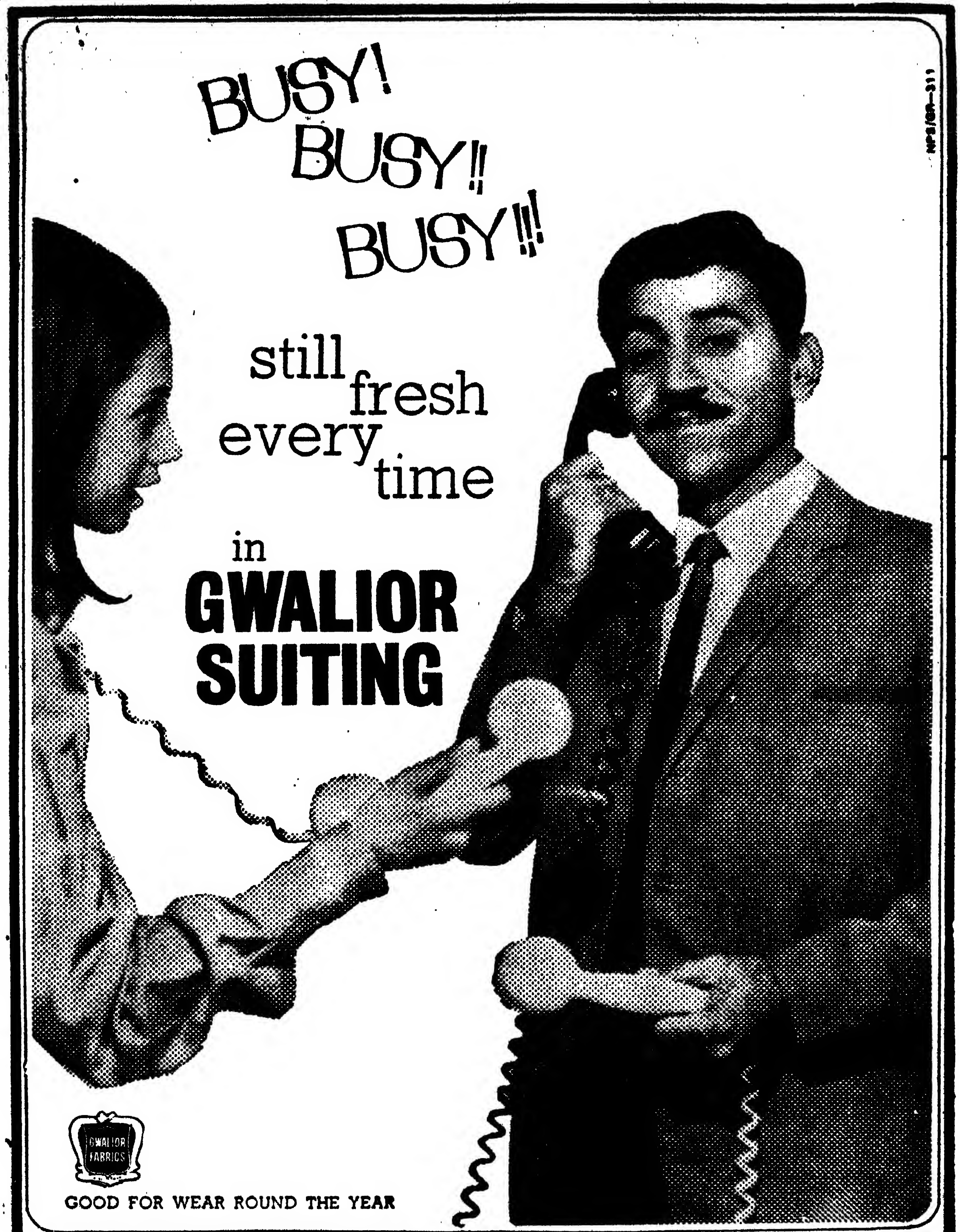
(a) by starting new enterprises in all sectors and thus creating more prosperity for all including workers through provision of larger employment opportunities, better wages and conditions of service;

(b) equally important or even more is to make the existing large investments in public and private sectors, more and more productive by efficient utilisation of the resources already invested.

Process of Implementation: For improving efficiency in the utilisation of the resources, the three parties involved, viz.: (i) management; (ii) trade union; and (iii) government—need to review their respective roles. Development and adoption of mutually acceptable objectives is a necessary step in the implementation process. The Indian Labour Conference should evolve a charter of such objectives so that all agencies work towards an agreed national goal to which they are committed. High productivity and sharing equitably the gains thereof, avoidance of waste, continuous growth and innovation, fair wages, reasonable and stable prices and adequate return to investors should command priority attention.

New Basis for Industrial Partnership: The programme outlined above would pave the way for a better understanding between managements, employees and the community and thus establish a new basis for industrial partnership. The conflict and strife prevailing in the country and which has shown a most disturbing trend as manifest by the 27 million man days lost in 1969-70 as against the average of five to six million mandays a decade ago is sabotaging the country's efforts towards a better life for the millions.

Need for a Purposive Dialogue: To achieve this, leaders in industry and trade unions should have a continuing and purposeful dialogue to evolve a consensus of what is in the larger national interest and would provide the greatest good for the greatest number. This would call for far-sighted statesmanship on either side to eschew temptation of scoring temporary gains which are manifestly unfair to the other side, based on tactical or bargaining strength.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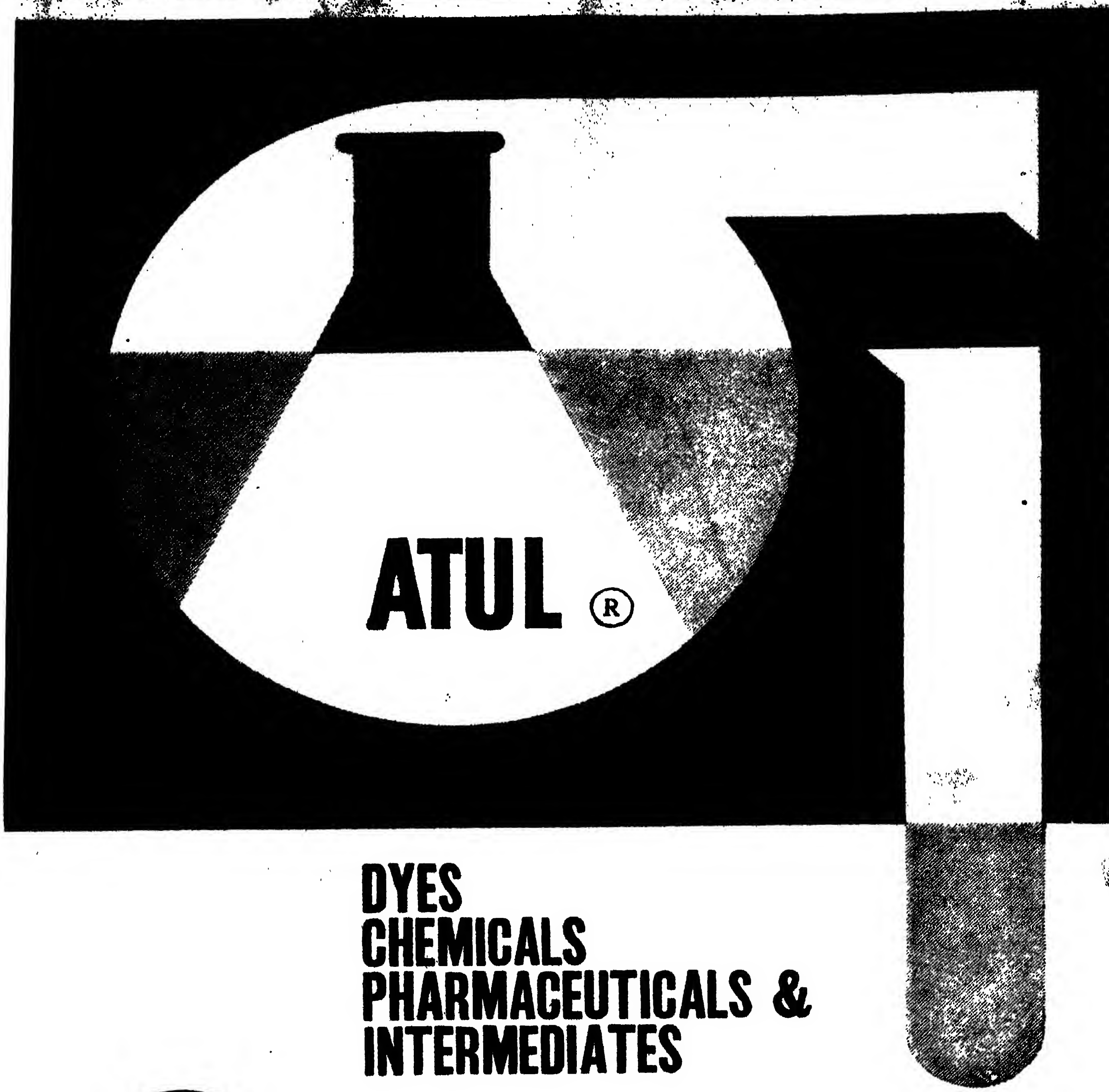

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The Government We Deserve?

Puffing and Panting

The Truth About 'Bangla Desh'

Radicalism Without Relevance

26/7/6

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THE GOVERNMENT WE DESERVE?

THE EDITOR

RECENTLY I issued a cheque, favouring the LIC, on one of the nationalised banks. The cheque was for a relatively small amount and was marked 'A/c Payee only'. The bank official dealing with this cheque, in his wisdom, chose to return it, saying that my signature on this cheque appeared 'different.' Incidentally, several other cheques I had issued about this time had been duly cashed in the days both immediately before and immediately after payment on this particular cheque was withheld. I suppose I should be grateful to this bank for exercising abundant caution for the laudable purpose of ensuring that my money with them is absolutely safe.

What intrigues me however is how so responsible an officer as the Chief Cashier of the State Bank of India, New Delhi, could hand over currency notes of the value of Rs 60 lakhs to a stranger in a taxi waiting on a public road merely on the strength of a telephone call informing him that a 'top' official of the Prime Minister's secretariat urgently wanted this money for a "top secret" purpose. The implications of this transaction are truly sinister and they speak volumes to the strange psychology of the functioning of nationalised banks in the current political context. They also flash a disturbing beam of light on the quality of the government we are having particularly in terms of what many people are prepared to believe are its ways of working.

Secondly, as the tensions and complications of the refugee influx into our country from East Bengal build themselves up, the weaknesses in the character of our government are getting exposed more and more to national and international view. The Prime Minister is trying to make up with amateurish declarations for what she and her counsellors plainly lack in terms of a policy, whether short-term or long-term, for managing our relations with Pakistan in the context of the movement for Bangla Desh. She is exposing herself, her government and the country to ridicule by asking loudly for action by the big powers to arrest Pindi's violence in East Bengal or restore peace along India's border areas unsettled by refugee influx, when it has all along been the professed conviction of the Government of India under Jawaharlal Nehru and subsequently that the affairs of south-east Asia or any other part of this continent should be left to be managed by the peoples of the countries concerned without the benefit of outside, particularly western, intervention.

Moreover, all the powers, big or small, which this country may expect to have some influence on the government at Pindi or the course of military development in East Bengal have shown more or less clearly that they are interested in Pakistan remaining intact. It is therefore idle of the Government of India to expect that it could have any productive exchange of views with them on the issue of East Bengal, unless and until the Prime Minister and her counsellors have also come to firm and clear conclusions about the Government of India's own position on the question of the future of Pakistan. To be equivocal in this matter and at the same time to be talking big would be for the Government of India to indulge in tactics of adventurism calculated to expose our country to avoidable risks to its own security. If the Prime Minister fails to show signs of sound leadership in this matter within the next few days, the country may well have to ask itself whether she is at all a safe and sufficient leader in times of national crises of this kind.

In this context, I would share with the readers the impressions which a shrewd visitor to the capital, who had the opportunity of meeting a large number of prominent political figures and senior officials in government, was able to gather and was good enough to communicate to me when he called at my office last week:

(1) This is clearly an 'Indira' government; (2) Her team is impotent intellectually and status-wise in the sense that members of the cabinet are not her equals but subordinates, who, whether individually or as team-mates, will not be able to take rational, independent decisions, but would say or do only such things as would please their master; (3) In terms of policies we will have gimmicks and semantics and not a coherent strategy for economic development, and along with the gimmicks, we will also have some encouragement to selected entrepreneurs in the form of industrial licences and the like but this will not amount to a planned approach to the urgent and important problem of the government creating real confidence in the business community so that the latter could plan or pursue schemes for long-term industrial expansion in a systematic manner; and (4) Bangla Desh will be quite an issue for some time and here too the government has not been able to do any deep thinking on the action it should take either for better public relations work abroad or for a real good sustained assistance programme for the Mukti Fauj.

Is this the government this country deserves?

The Truth About 'Bangla Desh'

THE PRIME Minister's most recent speeches in regard to the situation in East Bengal have struck a note of emotive reactions and responses which must be sternly discouraged. Whether we like it or not, the fact remains that the bad men of Pindi have mastered, in the military sense the movement for Bangla Desh. That they have done so through the mass butchery of unarmed men and women and their children in their homes or in the fields and on the streets is of course an outrage which should not go unpunished ultimately. But this does not alter the hard political reality that the movement for Bangla Desh has been effectively suppressed for the time being by the armed might of the military regime in Pindi.

Secondly, it has become crystal clear that the three great powers, the United States, the Soviet Union and Red China, all of which have vital strategic stakes in the Indian sub-continent and the United Kingdom, which seems to feel that it has a historic claim to be interested in this region, are of one mind in desiring that Pakistan, in both its parts, should continue to remain one country under a single sovereign government. The third point is that the Muslim countries of west Asia and north Africa have indicated by their action or through their silence that their sympathies are with Pindi in its effort, however bloody, to keep Pakistan territorially intact.

This being the case it is clearly unrealistic for India or its government or its Prime Minister to think or talk in terms indicative of a wish or expectation that the movement for Bangla Desh would succeed in its purpose. It may be argued that Mrs Gandhi's declaration that democracy should be allowed to prevail in East Bengal is a legitimate expression of opinion but then the question is bound to be asked whether Mrs Gandhi is equally keen on championing the cause of democracy in so many other countries where the peoples concerned are clearly without opportunities of expressing their views on who should govern them or what systems of government they should have. The truth is there are far too many in this country — and they seem to include the Prime Minister in their number — who imagine that they have a special claim to be interested in what happens in Pakistan, especially East Bengal.

To the extent that developments in Pakistan, particularly in East Bengal, may have a bearing on our national security, the sense of responsibility which some of us may feel with regard to the people of Pakistan or particular sections of them no doubt has an element of legitimacy. Even so our government and our Prime Minister would be treading on dangerous ground if they were to attempt to extend the argument about India's security to the point where they declare their involvement, emotionally or otherwise, in a political movement in our neighbouring — but still foreign — country. It would be a different matter had it been practical politics for India not only to commit its armed forces to help the Bangla Desh movement to achieve a quick military decision in its favour but also to secure subsequently international recognition for a *fait accompli* of that kind. Since there never was any such possibility, there is little sense in the Prime Minister or anybody else making noises which are only calculated to prove Pindi's assertion that India seeks the dismemberment of Pakistan. If our government and our Prime Minister are really constructively interested in securing our own national interests, they will not further delay in negotiating a working arrangement with Pindi for the immediate stoppage of influx of people from East Bengal into this country and for bringing about an early return to East Bengal of people who have already come over here, while co-operating with any international effort that may be made to pressurise or persuade the Yahya regime to end military violence and repression in East Bengal as a prelude to the setting up of normal government machinery in that region.

Puffing and Panting

ACTING UNDER the compulsions of deteriorating Railway finances, Mr Hanumanthaiya has revived the move made by his predecessor last year to augment revenues through wide-ranging levies on both goods and passenger traffic. It was to be expected, of course, that, in attempting this, he would avoid such of those specific proposals as had invited legislators' wrath on Mr Gulzarilal Nanda's more or less devoted head on the previous occasion. Not that Mr Hanumanthaiya's scheme of levies will be exactly popular. The government however is now in a position to resist pressures whether in Parliament or outside — thanks to the fact that the fifth general election is now comfortably behind it.

The politics of the Railway budget apart, its economics are as depressing as ever. In the race between earnings, frequently boosted by increases in freight rates and fares and operating costs, the advantage continues to be with the latter. Even according to the budget estimates, the Railway Minister is unable to cover current working expenses fully despite freight rates and fares being raised. His belief that the deficit here could be wiped out through economies or higher efficiency planned to be achieved in the current financial year deserves only to be greeted with derision in the context of the Railways' proven record in this area. It would be a kindness to the ageing Railway Minister to wish that he at least should not be in the government next year only to find what a false prophet he had been. The plain fact is that Railway management is not and has not been for some years capable of grappling with the pressing problems of performance and productivity which have to be solved if our Railway system is to become solvent again. The fact that a good part of the operational losses of the Railways is due to what appears to be a systematic campaign of sabotaging the network in eastern India only emphasises all the more the need for outstanding managerial ability at the top.

It is true enough that in several other parts of the world too railway finances are in poor shape, but in countries such as the United States, this is largely because of the technological superiority of other competitive forms of transport which has helped to render Railway operations unremunerative to some extent. But this is a development from which the communities concerned benefit on the whole even if it be at the expense of the Railways. Here in India the Railways owe their financial difficulties not so much to the factor of competition in our transport economy as to their own inefficiency in the use of men, materials or equipment. The result is that, even in the context of the government planning for economic expansion, the Railways have been forced to take a dim view both of the scope for their growth and the resources available for promoting growth. The Minister for Planning, big-mouthed as he is, may still find it hard to explain away the

Railways" announcement that they would be scaling down their capital outlays at a time when Mr Subramaniam is proclaiming the gospel, according to Mrs Indira Gandhi, of bigger planing. Meanwhile, although the Railways have been switching over to electric or diesel locomotives, their finances seem condemned to puff and pant as they are dragged through the mire of inept management by a smug administrative team led, if this is the word, by an ancient political war-horse brought back from where it was put to grass.

Radicalism Without Relevance

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THE RULING party has been implementing its ten-point programme and other declarations of faith with a mindless monotony which is indeed most frightening. In the process the central government has been losing fast not only its sense of proportion but also all sense of direction. In the context of our scarce resources—the scarcest of which is the time factor—the discipline that a scheme of priorities could enforce on the national effort is an asset which we can ill afford to trifle with.

It is becoming more and more important that the government and the community should address themselves to first things first. Unfortunately the political machine to which both of them seem to have become slaves, is grinding relentlessly in a contrary fashion.

On any sane reckoning of national needs, Parliament's time should first be spent, for instance, on the abortion legislation (which itself was aborted unseasonably when the Lok Sabha was dissolved for the mid-term general election) so that it may be processed to its final enactment without further delay rather than on finding ways and means of denying the princes their privy purses. By the same token it would have been far more sensible for the government to have directed its energies towards guiding properly the policies and operations of nationalised banking rather than acquiring control of the management of companies in the general insurance business.

Under the leadership of the Prime Minister the central government has assumed responsibilities of vast dimensions by promising to take early steps for relieving mass poverty primarily by promoting opportunities for productive employment in agriculture, industry or elsewhere. It is inconceivable that it can effectively pursue this goal if it is to act in a manner which would lead to the dissipation of national energies and resources on activities which are not relevant to the grand purpose of stimulating economic growth and providing social welfare in unison. There has no doubt been a wealth of brave words and even braver promises about the ruling party having up its sleeves a plethora of plans and programmes for pulling down the barriers to economic expansion and social progress. Regrettably, however, there has been little of deeds and performance to sustain the belief of thinking men in the practical ability of the government to live up to its professions. Take, for instance, the issue of credit planning. As the political glamour of the act of the nationalisation of banks is wearing fast, the government is finding it difficult to hide even from itself its continuing failure to evolve a sufficient, let alone dynamic, policy for gearing bank credit to the requirements of more rapid economic development.

Thus the Finance Minister, Mr Y. B. Chavan, was only betraying his own sense of frustration when he recently chided the custodians of nationalised banks—as though they were just a lot of errant schoolboys—that the government would punish them if they did not mend their manners. The alleged lapses of the custodians were that they were in default in implementing the government's intention that the "priority sectors", as they have been described, should be provided with liberal bank credit. It is rather strange that the Finance Minister and his advisers in his Ministry or elsewhere should be thus inclined to over-simplify the issue which is the basic one of organising in a non-inflationary manner the supply of capital on a considerably larger scale than is available now. It is even more strange that the Finance Minister should be so obviously reluctant to enter into a fruitful dialogue on this issue with such responsible analysts of the credit situation as the Chairman of the State Bank of India who recently stated with commendable courage and candour that the government and the government alone could assume the responsibility for the scheme of national credit planning which would give clear directions to individual banks to allocate their resources in a manner conforming to the priorities the government might seek to impose on the banking system.

As it is, the banks are neither able to satisfy the government that the priorty sectors are being adequately serviced nor abide by the instructions also given by the government that the legitimate needs of organised industry and trade for maintaing full production and its proper distribution should be satisfactorily met. The position is not made any better by the fact that the Reserve Bank's own practices in regulating the volume of bank credit or its distribution have been very much the creature of the prevailing confusion in high places. Indeed, so chaotic is the credit situation that, even with the ending of the busy season and the comfortable conditions stated to be prevailing in the money market, essential industrial and trade needs for bank money are continuing to feel the pinch of scarce credit. That the banking system should be so obviously unable to take advantage of the seasonal improvements in its liquidity speaks volumes for the bureaucratic bungling that has so substantially damaged or

Eastern Economist 25 Years Ago

MAY 31, 1946

Giving evidence before the House Banking Committee on British Loan, the U.S. Secretary of the Treasury, admitted that the granting of the loan would, for the time at least, result in two world economic blocs—Britain and America on one side and Russia on the other. While expressing the hope that financial agreement with Britain would ease "all" economic conflicts, the Treasury Secretary confessed that there is no way by which the creation of such two blocs could be avoided. Anticipating probably such a trend in international affairs, the American Magazine the 'Business Week' in its issue of March 16, writes that if the world breaks up into Anglo-U.S. and Soviet blocs, and if the U.N.O. also fails to bridge the gulf between the two, the stage will be set for another war though it may be years away. Immediately, the Journal goes on to point out, the soaring discord will not fail to leave its repercussions on international business.

disorganised the normal and even virtually automatic reflexes of credit institutions.

Take, for example, the case of the cotton textile industry. In recent weeks the government has been attempting to beguile the public with political manoeuvres intended to demonstrate its concern for consumers of common varieties of piecegoods. While the industry is being compelled to undertake clumsy and cumbersome exercises for subsidising the prices of some varieties out of the prices of others, little attention is being given to the removal of artificial restrictions in the way of the full and proper functioning of mills or the trade. This is particularly true of the difficulties experienced by manufacturers or dealers in obtaining their reasonable requirements of bank accommodation for the purchase of raw materials or payment of wages or financing of stocks and their distribution. Right now, the textile industry is faced with a credit crisis in planning for the clearance of expected arrivals of raw cotton from abroad.

For a government which must certainly be concerned with production if it is at all genuinely anxious about employment, this is indeed a strange way of handling the vital mechanism of bank credit. But then its lapses here are but a part of its increasingly irresponsible adventurism. The Planning Minister, who presumably has plenty to think about in trying to bring some order out of the mangled machinery of planning, has surprisingly been able to spare more than a thought or two to matters which are clearly less relevant to his legitimate preoccupations. Speaking in Coimbatore the other day, Mr C. Subramaniam announced the great tidings that it was only a question of time before the central government would take over most, if not all, of the foreign trade of the country, including exports. With the central budget only less than a couple of weeks away, political declarations of this kind, although not wholly new, can only be meant to create tensions in the public mind about the impending economic policies or decisions of the government. Quite possibly the taking over of the management of general insurance companies by an ordinance shortly before Parliament was due to meet for the budget session is meant to serve notice that the government may be relied upon to be tough in prosecuting its radical purposes.

In this atmosphere, it is extremely unlikely that any rational discussion of the budget options open to the government would serve any useful purpose. On the contrary, the air is thick with speculation about how much more tax revenue the government might seek or what fiscal means it might adopt for the purpose. Worse still, there is a pervasive atmosphere of fear and anxiety that the budget might announce fiscal innovations and imposts without even the justification of a revenue purpose and with political motives alone. That the government will seek to raise substantial amounts of additional revenue and that it will make a few ideological moves against wealth and higher incomes are both fairly certain. It is even more certain that these exercises will not be very relevant to the urgent national need for stepping up production or investment for larger and faster ecomic growth.

It is obvious enough that any additional resources that the government may seek to raise, for the ostensible purpose of development will really be absorbed by what is euphemistically called non-Plan expenditure. It is impressively symptomatic of the psychology of the government in these matters that a minister from Tamil Nadu, who recently came to Delhi to ask money from the centre for slum clearance programme in Madras, could also talk at the same time of a multicrore skyscraper project, the tallest in Asia, complete with a revolving tower, for the capital of his state. Given the extra burden of sustaining the displaced population from East Bengal, the centre's forthcoming fiscal and other budgetary exercises can hardly have much real meaning for or relevance to any long-term strategy for the expansion of the economy.

The Dollar Game

THE EXCHANGE of a flood of US dollars for the West German mark in the first week of the current month has caused a commotion in the international monetary markets. The dollar which has remained a strong currency for more than two decades, except for a minor flutter in 1969, found itself weak as against some of the European currencies, particularly the West German mark. The currency speculators aggravated the monetary crisis in a effort to make capital out of the situation but it would be wrong to blame them wholly for what happened in the monetary markets of the world. The underlying cause of the crisis was the persistent deficits in the payments position of theUSA for many years coupled with mounting surpluses in the balance of payments of the Federal Republic of Germany. In the last analysis, it was a case of too many dollars chasing too few D-marks which threatened the parity sanctified by the International Monetary Fund (IMF) between the two currencies.

The Government of the Federal Republic of Germany has sought a way out of this situation by "floating" the mark, which, it may be recalled, had been revalued upward in 1969. This arrangement, if continued indefinitely, will no doubt be inconsistent with the concept of Bretton Woods which had ordained fixed exchange rates with the approval of the IMF. However, one salutary effect of this decision has been that the free market price of the German mark appreciated by 3½ to 4 per cent only in relation to the dollar while the experts were of the view that the mark would have to be revalued upwards by at least five per cent. In fact, two of the other European currencies, the Swiss franc and the Austrian schilling, were revalued upwards by seven per cent and 5.05 per cent respectively. Following the example of the West German mark, the guilder (currency of the Netherlands) was also officially "floated."

As stated earlier, the root cause of the malaise was the deteriorating balance of payments status of the USA. In the nine-month period ending in September last year, the negative balance on the liquidity basis including allocations of special drawing rights was $3,311 million as against the adverse balance of $ 7,012 million in the same period in 1969. The cumulative total of the adverse balances was $42,000 million against reserves of $14,000 million. What needs to be stressed is that on the basis of trade, i.e. the balance of goods and services, the USA has never had a deficit for the past many years. In fact, its exports exceeded imports by $ 2,957 million in the first three quarters of 1970 (see Table I). It is the civil and military commitments of

DEVI PRASAD SHARMA PASSES AWAY

Eastern Economist notes with regret the death of Mr Devi Prasad Sharma on May 21 after a brief illness. He was 70.

Mr Sharma was printer and publisher of this journal for many years till he retired from service in 1960.

the US government which have continued to strain its balance of payments position. Far from reducing expenditure on its political commitments abroad for meeting the present threat to its currency, the US government has sought to increase its exports and thus reduce the gap in the balance of payments. The Vietnam war has no doubt strained US resources but to say that after its withdrawal from the south-eastern war theatre, the balance of payments position of the USA would cease to be in the red is a mistake. Its involvement in other parts of the globe is not of a mean order and hence the outflow of dollars for military and other strategic purposes would continue unabated.

It would be erroneous to state that the US government is unconcerned about the pressure currently being exerted on the dollar by other currencies. The truth is that the US government has been fully aware of the gathering storm in the international monetary markets and it has taken some corrective measures. The imposition of the interest equalisation tax to discourage borrowing by developed countries on the well-organized US capital market, the bank lending controls to limit lending activities of American banks abroad and the foreign direct investment programme which limits the financing from US sources of American direct investment abroad, especially in developed countries, are some of the steps which were taken in recent years. True that all these moves have not reduced the outflow of dollars but currently the US government is under pressure to issue "a special gold-guaranteed bond" which would provide security against any future fluctuation in the price of gold in terms of dollars. This suggestion has however not found favour with the government because the dollar is at present a gold-guaranteed holding and there does not seem to be any necessity, in its view, of evolving a super-currency.

It is estimated that as against the current US gold holdings worth $ 10,000 million, the European central banks hold as many as 30,000 million US dollars. It follows that only one out of three dollars held by the European central banks can be guaranteed against gold by the USA. It is feared that so long as the gold cover of dollar holdings of European central banks remains inadequate, the onslaughts on the dollar are expected to recur periodically. However, it is not necessary that the gold reserves of the US should be precisely equal to the dollar holding of the central banks in Europe as all the Eurodollars are not speculative. As soon as the current excitement diminishes and the interest-sensitive and

TABLE I

U.S. INTERNATIONAL TRANSACTIONS

(Millions of dollars, seasonally adjusted)

		January-September		
	1969	1969	1970	Change 1969-70
Balance of goods and services	1,949	1,299	2,957	1,658
Balance on liquidity basis including allocations of SDRs	—7,012	—7,432	—3,311	4,121

TABLE II

CHANGES IN CENTRAL BANK DISCOUNT RATES JULY 1970-FEBRUARY 1971

(in per cent)

Country and date of change	Previous rate	New rate	Change	Total change
United States				
November 13, 1970	6.00	5.75	—0.25	
December 4, 1970	5.75	5.50	—0.25	
January 8, 1971	5.50	5.25	—0.25	
January 22, 1971	5.25	5.00	—0.25	
February 19, 1971	5.00	4.75	—0.25	—1.25
Japan				
October 28, 1970	6.25	6.00	—0.25	
January 20, 1971	6.00	5.75	—0.25	—0.50
West Germany				
July 16, 1970	7.50	7.00	—0.50	
November 18, 1970	7.00	6.50	—0.50	
December 3, 1970	6.50	6.00	—0.50	—1.50
France				
August 27, 1970	8.00	7.50	—0.50	
October 20, 1970	7.50	7.00	—0.50	
January 8, 1971	7.00	6.50	—0.50	—1.50
Italy				
January 11, 1971	5.50	5.00	—0.50	—0.50
Belgium				
October 22, 1970	7.50	7.00	—0.50	
December 10, 1970	7.00	6.50	—0.50	—1.00

Source: Monthly Economic Letter, First National City Bank, March 1971.

speculative dollars return to the USA, it will be found that a sizeable amount of dollars — about $7,000 million — are proposed to be retained by German companies alone for investment purposes. In other words, nearly one-fourth of the dollars held by central banks are needed in West Germany for developmental purposes.

Another important factor which has played a large part in the present monetary crisis is the sharp cut in central bank discount rates in the USA from 6.00 per cent in November last year to 4.75 per cent in February this year. A natural consequence of this policy has been the flight of interest-sensitive short-term funds from the US markets to the Eurodollar market. Large amounts of Eurodollars found their way to the central banks of West Germany, the UK, France, Italy and Japan. The decline in interest rates in the USA was needed to administer a shot in the arm to the American economy which was in the grip of "recessionary lethargy". Thus, a measure which looked necessary for stimulating the domestic operations of the US economy caused an upheaval in its external transactions. It may be stated here that though other industrially advanced countries also cut their interest rates, even then their rates were higher than that of the USA (see Table II). The value of dollars seeking the benefit of higher interest rates in Europe is not known in precise terms but unofficial estimates put them at $ 60,000 million. This is indeed a stupendous sum of money — enough to throw out of gear the monetary operations of even the prosperous European countries.

A word needs to be added about the balance of payments position of the Federal Republic of Germany which has the unique distinction of having surpluses both on trade and payments accounts. The balance of trade of West Germany has remained surplus in each one of the years since 1952. The largest surplus at DM 18,374 million was recorded in 1968. In 1970, it was slightly lower at DM 15,681 million. The balance of all transactions in 1970 was as high as DM 21,912 million in favour of the Federal Republic out of which more than half was due to receipts from other countries of short-term capital (see Table III). It was this massive inflow of capital (which increased in thecurrent year) that made it impossible for the Government of the Federal Republic of Germany to maintain the parity of the mark with the dollar.

What will be the impact of the present currency crisis on our economy ? What is obvious is that imports from some of the countries such as West Germany, the Netherlands, Austria and Switzerland would become more costly. It follows that our exports to these countries could be increased because in terms of the new parities of the currencies of these countries, our goods would be cheaper. What needs to be watched with great interest is if the USA would, under the present compelling situation, cut its aid to the developing countries includng ours. There is no evidence to this effect so far; in fact the spokesmen of the US government have stated that international commitments of the US would not be altered, come what may. The US Ambassador-at-Large, Mr David M.Kennedy, is reported to have said recently: "We consider it appropriate that a country as wealthy as the United States should maintain net outward financial flows at least for aid to developing countries".

TABLE III

WEST GERMANY : BALANCE OF PAYMENTS

(Millions of DM)

Period	Current and Capital Accounts: Current Account: Total	Current Account: Balance of goods and services: Total	Balance of trade	Services	Balance of transfer payments (expenditure)	Capital Account (capital export): Overall balance of capital transactions	Long term capital	Short-term capital	Balance of recorded transactions	Balance of unclassifiable transactions	Balance of all transactions	Allocation of SDRs and compensatory amount required by Bundesbank	Net movement of gold and foreign exchange
1955	+2,205	+3,039	+1,245	+1,794	—834	—450	—381	69	+1,755	+96	+1,851	—	+1,851
1960	+4,511	+7,981	+5,223	+2,758	3,470	+1,782	171	+1,953	+6,293	+1,726	+8,019	—	+8,019
1965	—6,766	—346	+1,203	—1,549	—6,420	+2,362	+957	+1,405	—4,404	+3,121	—1,283	—	—1,283
1966	+46	+6,370	+7,958	—1,588	—6,324	+881	—762	+1,643	+927	+1,025	+1,952	—	+1,952
1967	+9,445	+15,879	+16,862	—983	—6,434	—10,021	—3,203	—6,818	—576	+436	—140	—	—140
1968	+10,861	+18,176	+18,372	—196	7,315	7,347	—11,523	+4,176	+3,514	+3,495	+7,009	—	+7,009
1969	+6,218	+14,617	+15,584	—967	8,399	—18,799	—22,860	+4,061	—12,581	+2,319	—10,262	—4,099	—14,361
1970	+2,777	+12,232	+15,681	—3,449	9,455	+9,439	—4,514	+13,953	+12,216	+9,696	+21,912	—738	+22,650

Source : Monthly Report of the Deutsche Bundesbank, March 1971.

Urban Houseless Population

J. B. KANSAL

IN THE literature on the struggle for shelter in urban areas the congestion rates and dilapidation of housing inventory have occupied a predominant position. The critical facts and forces leading to the emergence of a distinct class of houseless persons have not attracted due and serious attention of administrators, statesmen, town planners and economists. The problems created by this houseless group in urban areas are peculiar in their own way. The urban houseless persons are distinct as they, in contrast to other urban groups, have almost no stake in the life and property of the city. Whatever happens to the city in organic or compositional form is of little concern to them.

The urban and metropolitan growth, the streams and counterstreams of population migration, the rate of growth of population and housing supply have created typical problems in developing countries like India. Most of the cities in India were not ready for the growth they experienced in recent years and very few are prepared for the even greater population expansion that will occur over the next several decades. Without systematic plans for their development, these cities will continue to suffer haphazard growth.

Haphazard Growth

Houseless population in cities and towns is the outcome of this haphazard growth. Prof. Charles Abrams[1] calls a houseless person "a street sleeper" who is a mobile squatter without a house. If the climate and the authorities are clement, the street sleeper continues bedding down in the streets until he finds a better cover and the means to pay for it. According to an estimate of the UN, in Asia, Africa and Latin America, half the population either has no shelter at all or lives under unsafe and overcrowded housing conditions.[2] The 1961 Census figures show that 0.8 per cent of total population of million-plus Indian cities is homeless.

It was pointed out in a seminar[3] that most of the houseless depend on some kind of irregular gainful employment. In metropolitan cities they comprise mostly casual labourers, domestic servants, hawkers and beggars. The casual labour is mainly employed by commercial firms and enterprises. With the increase in this kind of employment, more and more pavements, road margins and other valuable public and private lands are occupied and squatted upon.

The 1961 Census of India for the first time unfolded distinct statistics about houseless population; prior to this, houseless persons were combined with institutional population. It defined houseless population as those persons who have no fixed place of residence and no regular house to live in. Enumeration of this segment of the total city population presented its own problems. In each state, special arrangements were made to enumerate the houseless population. For example, in Maharashtra each enumerator was asked to make a note of places within his block where houseless persons were likely to be found; to visit those places on the night of February 28, 1961, and to count all such persons. In cities like Bombay, in addition to enumerators going on the prescribed visits within their blocks, the police collected beggars and other houseless persons found on the sea shore and in parks, gardens and other open spaces.

Though all the necessary precautions were taken, yet under-enumeration to a considerable extent could not be ruled out. To quote from Delhi Census:

"Incidentally the Bombay Anti-Beggary Act was applied to Delhi with effect from 1st March 1961, the very night on which enumeration of houseless population was held. When the enumerators along with the police appeared to enumerate houseless persons consisting mostly of beggars, the latter fearing that the police had come to round them up ran away and hid themselves at places where they could not be located. This very probably led to greater under-enumeration than what might be normally expected"[4].

But in spite of alleged under-enumeration, the houseless population in the country is quite significant with sharp inter-state differences. To get a factual snap-shot of houseless population in various states of the country, a detailed analysis of the census listed houseless persons becomes necessary. The follow-

TABLE 1

STATEWISE DISTRIBUTION OF HOUSELESS POPULATION

State	Houseless Population					
	Total		Urban		Rural	
1. Andhra Pradesh	248,101	(100.0)	35,717	(14.4)	212,384	(85.6)
2. Assam	12,894	(100.0)	878	(6.8)	12,016	(93.2)
3. Bihar	30,777	(100.0)	6,363	(20.7)	24,414	(79.3)
4. Gujarat	124,036	(100.0)	17,368	(14 0)	106,668	(86.0)
5. Jammu & Kashmir	27,733	(100.0)	2,759	(9.9)	24,974	(90.1)
6. Kerala	20,807	(100.0)	12,027	(57.8)	8,780	(42.2)
7. Madhya Pradesh	125,094	(100.0)	22,934	(18.3)	102,160	(81.7)
8. Madras	60,352	(100.0)	33,424	(55.4)	26,928	(44.6)
9. Maharashtra	294,960	(100 0)	91,110	(30 9)	203,850	(69.1)
10. Mysore	74,751	(100.0)	12,566	(16.8)	62,185	(83.2)
11. Orissa	28,638	(100.0)	3,498	(12 2)	25,140	(87.8)
12. Punjab	30,467	(100.0)	6,079	(20 0)	24,388	(80 0)
13. Rajasthan	67,510	(100.0)	3,459	(5.1)	64,051	(94.9)
14. Uttar Pradesh	17,710	(100 0)	4,890	(27.6)	12,820	(72.4)
15. West Bengal	69,187	(100.0)	32,969	(47.7)	36,218	(52.3)
INDIA	1,265,213	(100.0)	295,549	(23.4)	969,664	(76.6)

NOTE: Figures in brackets are percentages.

Source: Census of India, 1961.

ing paragraphs present a panoramic analysis of houseless persons.

Inter-state Variation of Houseless Population: The total number of houseless persons in India in 1961 was 1,265,213, of which 295,549 (23.4 per cent) persons were in cities and towns and the rest 969,664 (76.6 per cent) in villages (Table I). The number of houseless persons varies from state to state. Maharashtra tops the list with about 2.9 lakh houseless persons, followed by Andhra Pradesh (2.5 lakhs). Assam has the minimum number of houseless persons (12,894) and slightly above that is Uttar Pradesh with 17,710 houseless persons. Among the 15 states of India, two, viz, Kerala and Madras, have more houseless persons in urban than in rural areas (57.8 per cent and 55.4 per cent, respectively). West Bengal has more than 47 per cent of total houseless persons in its urban areas. Rajasthan has only five per cent of its houseless population in urban areas.

An Urban Problem

Table II gives state-wise proportion of houseless population among total population for urban and rural areas separately. While for India as a whole 288 persons out of every one lakh population are houseless, in urban India 374 persons out of every one lakh are houseless. In rural India this figure is 269 only. From this it can be safely concluded that houselessness is a phenomenon more common in cities and towns than in villages. Within urban India, Maharashtra has the highest proportion of houseless population (816 per one lakh), followed by Andhra Pradesh (569 per one lakh). The lowest proportions of houseless persons in urban areas are found in Assam (96 per one lakh) and Uttar Pradesh (52 per one lakh). As regards rural areas, Jammu & Kashmir has the highest proportion of houseless population (842 per one lakh). Uttar Pradesh (20 per one lakh) again has the lowest proportion.

Table III shows state-wise percentage distribution of urban houseless population. Among total urban houseless persons, about 31 per cent are in Maharashtra alone. Next to Maharashtra come Andhra Pradesh (12.1 per cent), Madras (11.3 per cent) and West Bengal (11.2 per cent). The smallest proportions of urban houseless persons are found in Jammu & Kashmir (0.9 per cent) and Assam (0.3 per cent). If we look at the male houseless population, one-third of the male houseless live in Maharashtra's cities and towns. West Bengal ranks second with 11.9 per cent urban houseless population. The smallest proportion is again in Assam (0.4 per cent). Among females, 23.5 per cent of the total houseless live in Maharashtra, 16.3 per cent in Andhra Pradesh and 13.9 per cent in Madras. The smallest proportions in the case of females also are found in Jammu & Kashmir (0.5 per cent) and Assam (0.1 per cent).

The city complex presents a queer phenomenon as regards the sex composition of houseless population. One would normally assume it to be a typically male phenomenon. It is surprising that female percentage of total houseless population is quite significant. This conclusion would usher us into another 'twilight' dimension of houseless population. It presents a queer admixture of culture, moral, hygienic and social conditionants. The predominant section of female houseless population unveils the harshness of living conditions in the city and the explosive nature of the total problem. An analysis of sex composition of urban houseless population lead us to the conclusion that something is seriously wrong with the response mechanism of the city agencies. This is a wider problem with housing as only one of the aspects. The female composition of houseless population has sharp inter-state differences. More than one-fourth of the urban houseless persons are women.

TABLE II

PROPORTION OF HOUSELESS POPULATION AMONG TOTAL POPULATION

State	Houseless population as per one lakh population		
	Total	Urban	Rural
1. Andhra Pradesh	689	569	715
2. Assam	109	96	110
3. Bihar	66	163	57
4. Gujarat	601	327	696
5. Jammu & Kashmir	779	465	842
6. Kerala	123	471	61
7. Madhya Pradesh	386	496	368
8. Madras	179	372	109
9. Maharashtra	746	816	718
10. Mysore	317	239	339
11. Orissa	163	315	153
12. Punjab	150	149	150
13. Rajasthan	335	105	380
14. Uttar Pradesh	24	52	20
15. West Bengal	198	386	137
INDIA	288	374	269

Source: Computed from the Census of India, 1961.

TABLE III

PER CENT DISTRIBUTION OF URBAN HOUSELESS POPULATION

State	Persons	Males	Females
1. Andhra Pradesh	12.1	10.7	16.3
2. Assam	0.3	0.4	0.1
3. Bihar	2.2	2.0	2.7
4. Gujarat	5.9	5.5	6.9
5. Jammu & Kashmir	0.9	1.0	0.6
6. Kerala	4.1	4.7	2.2
7. Madhya Pradesh	7.8	7.0	10.0
8. Madras	11.3	10.4	13.9
9. Maharashtra	30.8	33.3	23.5
10. Mysore	4.3	4.0	4.9
11. Orissa	1.2	1.1	1.3
12. Punjab	2.1	1.7	3.1
13. Rajasthan	1.2	1.0	1.7
14. Uttar Pradesh	1.7	1.6	1.8
15. West Bengal	11.2	11.9	8.9
INDIA	100.0	100.0	100.0

Source: Computed from the Census of India, 1961.


Quality wears a label
THE NEW INDIA INDUSTRIES LTD
TRADE MARK
CYCLE BRAND
MADE IN INDIA
NEW INDIA INDUSTRIES LTD BARODA
TRADE MARK
SWAR BRAND
THE NEW INDIA INDUSTRIES LTD
BARODA
TRADE MARK
INDIA BRAND
MADE IN INDIA

B. Dattaram-DM-98

(Table IV). In three states, viz., Punjab, Rajasthan and Andhra Pradesh, women constitute more than one-third of the urban houseless population (38.3, 37.3 and 34.3 per cent, respectively). In the state of Assam, women's proportion among the urban houseless population is the lowest (5.6 per cent).

An attempt was also made to measure the concentration of urban houseless population. Table V gives the concentration index of urban houseless population in different states. The index of concentration is calculated by dividing the state's share in urban houseless population by state's share in urban population. An index of 1.0, therefore, means that the state has proportionately the same concentration of urban houseless population relative to the nation as it has of total urban population. That means the houseless population is more concentrated in the states where the value of the index is more than one. In six out of 15 states concentration index is more than one. These are the states of Maharashtra (2.184), Andhra Pradesh (1.532), Madhya Pradesh (1.322), Kerala (1.281), Jammu & Kashmir (1.125) and West Bengal (1.037). The urban houseless population is least concentrated in Assam and Uttar Pradesh (0.250 and 0.142, respectively).

II

In this part an attempt has been made to explain the inter-state variations in the proportions of urban houseless population among urban population. It would be interesting to identify this shelterless class of urban population and to know why is it that some states show more concentration of urban houseless population than other states. Can one say that the concentration or deconcentration of urban houseless population is related to various factors like migration, urbanization, congestion, per capita income and economic base of the cities? The following paragraphs are an attempt in this direction.

The phenomenon of urban houselessness may be called a by-product of urban landlessness and housing famine caused by migration from rural to urban areas. It has been found that a majority of those who sleep on pavements and under the staircases in cities are immigrants.[5] The industrial expansion under the five-year Plans has encouraged a great migration of rural labourers to the city. People are migrating to urban areas much faster than the emerging industries can abosrb them. Prof. Stokes[6] has found inverse relationship between the rate of absorption and the rate of slum formation. Immigrants are generally derived from that class of people which has no capital means to secure housing accommodation by itself. Most of them are semi-literate and of rural origin. Their standards of sanitation are low and their poverty forces them to overcrowd any place they are able to occupy. Hence larger proportion of houseless persons among urban population may be due to higher porportion of immigrants among total urban population. The correlation coefficient between the two comes out to be plus 0.170.

To what extent a state is urbanized depends mainly on the magnitude of migration from rural to urban areas. It has been found that crowded cities attract more migrants than the less crowded ones.[7] The greater degree of urbanization may imply greater pull for migrants, but not necessarily equal rate of absorption. Therefore, it can be expected that the degree of urbanization of a state has a direct and positive relationship with urban houselessness. The value of correlation coefficient between the proportion of city population among total population and the proportion of urban houseless population among urban population is plus 0.580. This supports the hypothesis that the higher the degree of urbanization the higher the proportion of houseless persons in cities.

Houselessness also depends upon the availability of houses. Congestion in urban areas may be called an index of housing shortage. The states where

TABLE IV
SEX COMPOSITION OF URBAN HOUSELESS POPULATION

State	Per cent houseless population		
	Persons	Males	Females
1. Andhra Pradesh	100 0	65.7	34.3
2. Assam	100.0	94.4	5.6
3. Bihar	100 0	68.1	31.9
4. Gujarat	100.0	70.3	29.7
5. Jammu & Kashmir	100.0	83.1	16.9
6. Kerala	100.0	85.9	14.1
7. Madhya Pradesh	100.0	67.3	32.7
8. Madras	100.0	68.7	31.3
9. Maharashtra	100.0	80.6	19.4
10. Mysore	100.0	70.4	29.6
11. Orissa	100.0	72.2	27.8
12. Punjab	100.0	61.7	38.3
13. Rajasthan	100.0	62.7	37.3
14. Uttar Pradesh	100.0	72.4	27.6
15. West Bengal	100.0	79.7	20.3
INDIA	100.0	74.5	25.5

Source : Computed from the Census of India, 1961.

TABLE V
CONCENTRATION INDEX OF URBAN HOUSELESS POPULATION

State	Share of State in Urban Houseless Population (%)	Share of State in Total Urban Population (%)	Concentration Index
1. Andhra Pradesh	12.1	7.9	1.532
2. Assam	0.3	1.2	0.250
3. Bihar	2.2	5 0	0.440
4. Gujarat	5.9	6.7	0.881
5. Jammu & Kashmir	0.9	0.8	1.125
6. Kerala	4.1	3.2	1.281
7. Madhya Pradesh	7.8	5.9	1.322
8. Madras	11.3	11.4	0.991
9. Maharashtra	30.8	14.1	2.184
10. Mysore	4.3	6.7	0.642
11. Orissa	1.2	1.4	0.857
12. Punjab	2.1	5.2	0.404
13. Rajasthan	1.2	4.2	0.286
14. Uttar Pradesh	1.7	12.0	0.142
15. West Bengal	11.2	10.8	1.037
INDIA	100.0	100.0	1.000

Source: Computed from the Census of India, 1961.

the degree of congestion is higher will face more housing shortage, with the result of more houseless persons. Taking "number of persons per room", as an index of congestion, it may be suggested that the states with higher number of persons per room would have higher proportion of houseless persons in its urban areas. This view is supported by a positive coefficient of correlation (plus 0.405).

A roof over one's head is, of course, a necessity. But for an average Indian it is an expensive necessity. To own a house or to pay the rent for it depends largely upon one's income. If the income of an individual is not enough to own a house or even to pay the rent, he has to live without a roof over his head. Therefore, it can be hypothesised that the states with lower per capita income would have higher proportion of houseless persons. A negative value of coefficient of correlation (minus 0.208) between urban per capita income and proportion of urban houseless population lends support to our hypothesis.

It has been pointed out by Prof. Charles Abrams[8] that industrialization is responsible for housing shortage to a great extent. According to Prof. Abrams, the anomaly is that the less industrialized the country, the less apt it is to have a housing problem. The moment it begins to develop industrially, its housing problem burgeons. Rural urban migration is an international phenomenon and is experienced more wherever and whenever manufacturing industry has assumed or is assuming a major role in a nation's economy.[9] It may, therefore, be suggested that houselessness in urban areas may depend on theproportion of income from manufacturing sector among all sectors. The correlation coefficient between the two is plus 0.301.

Broad Conclusions

The weak correlations between migrants and urban houseless population, urban per capita income and urban houseless population and income from manufacturing sector and urban houseless population seem to be surprising. One might think of two possible reasons for the low values of correlation coefficient. First, one can say that there may be some lacunae in the census definition of houseless persons. But there seems to be no logical objection in the census definition because the census concept of houseless persons covers all such categories. Secondly, one can very well argue that at the stage of enumeration, there must have been large-scale under-enumeration. For instance, in the whole of urban West Bengal, only 32,969 persons were reported as houseless, whereas it is commonly accepted that there are at least two to three million houseless persons in Calcutta alone. In the same way, there are reported to be only 91,110 houseless persons in urban Maharashtra which is very much less than the figure supposed for Bombay alone. It seems plausible that at the stage of enumeration, there was large-scale under-reporting and hence the weak correlation results in the above study. It is hoped that the census authorities were careful and devised foolproof methods of enumerating this unfortunate class of urban and, rural citizens in the 1971 Census.

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An Ideological Gimmick

R. V. MURTHY

ALTHOUGH PRACTICALLY everyone expected that general insurance would be nationalised sooner or later, few thought it would happen almost overnight as it were, as it has turned out to be in the event. For, recent remarks on the subject of both the Prime Minister and the union Finance Minister had given the public the impression (since belied—not an uncommon experience, though) that the Government of India was really in no hurry to put this through, especially as there were far more important matters demanding its urgent attention. Yet the indecent hurry with which the authorities have chosen to bring about nationalisation of general insurance by a Presidential ordinance only a few days before Parliament assembled clearly establishes that it is not so much economic considerations that have prompted the government's action as political or ideological pressures. Latterly, a section of Congress (R)—the left-wingers—has been openly expressing the view that evidently even Mrs Indira Gandhi is not for immediate action along the so-called progressive lines of their thinking. It is presumably to stall all such talk and reassure this vociferous section, so necessary if the union government is effectively to deal with other relatively more important problems which are proving far tougher than had been envisaged earlier, as also with the problem of refugees from Bangla Desh which has assumed grave proportions, that the government decided to take over general insurance business by ordinance. Mr Harish Mahindra, President of the Indian Merchants' Chamber, Bombay, put forward this view aptly when he said, in the course of a press statement on the subject: "As a part of the implementation of the 10-point programme, government has issued an ordinance taking over the management of general insurance business as a preliminary step to its nationalisation. In view of the repeated declarations made by government spokesmen that the general insurance business was too risky and yielded too little for the government to take it over and the recent affirmation by the Prime Minister in April last that nationalisation was not considered to be an objective by itself, it is difficult to appreciate the *raison d'etre* of this step. *The action seems to be inspired largely by political considerations rather than sound economic grounds.*" (Ital. mine)

Mr Babubhai M. Chinai, MP, also described the government's decision as "an ideological gimmick which has its own place in programmes of political parties". And he added : "Considered from any point of view, this appears to be an act of nationalisation for the sake of nationalisation".

The government's decision to take over the management of all the general insurance companies immediately has been welcomed, as is only to be expected, by both the Congress parties, both the communist parties and labour leaders, as well as trade unions of general insurance workers. But it has been justified too, rather fantastically, in certain sections of the daily press. Taking advantage of the recent boom, it has been argued, for example, that some general insurance companies have sharply stepped up their dividends and issued bonus shares on a generous

scale, instead of retaining the profits for productive investment. True, the growth of business over the past two years has been unusually impressive, but let it, not be forgotten that as much as one-quarter thereof is accounted for by general insurance companies owned or controlled by the government itself.

Moreover, since 1968, the Controller of Insurance has been vested with sweeping powers to control every aspect of general insurance business, including investment. As a matter of fact, under the 1968 scheme, there is already an obligation on the part or general insurers to invest 75 per cent of assets in approved securities, and it is reported that these companies offered at one time to invest even up to 100 per cent provided there was no nationalisation of their business. Accordingly, investments in government securities by general insurance companies have increased vastly. As for other investments, say in companies in which managements of these general insurance companies are interested, all allegations apparently seem to ignore the existence of provisions in the latest Insurance (Amendment) Act regarding statutory deposits and investments.

Facile Talk

Be that as it may, what is relevant today is not the merits or demerits of nationalisation of general insurance as such. It is almost a *fait accompli* and the public has to reconcile itself to it. But what must worry everybody is the facile talk about the so-called manoeuvrability that the government would get, as a result of the take-over of general insurance, to change the assets structure of general insurance companies so as to serve social needs and, more so, such assertions as the need to explore the possibility of introducing crop insurance as one of the immediate tasks of the government. It is still too early to talk of all these extremely complicated schemes, notwithstanding the fact that the union Planning Minister and the union Minister of State for Agriculture are known to be keen on introducing some scheme of crop insurance. All such talk is only like purchasing a cap for a baby yet to be, to translate a vernacular proverb literally. No one still knows what form the proposed new corporation or corporations that are to handle all general insurance business would take; nor are all the custodians appointed (at the time of writing).

Apart from the time required to complete the required legislation, the proposed two-stage take-over—first management and second ownership—is also bound to be cumbersome. This is despite the fact that it is to be the same procedure as was adopted whilst nationalising life insurance. And, last, but not least, general insurance business is not as simple as life insurance business, inasmuch as it involves many more and far minuter transactions than the latter. General insurance covers have also to be given for short periods and at short notice and claims too have to be settled most expeditiously, especially as large amounts may need to be reinsured with foreign general insurance companies which will not tolerate any bureaucratic delays or red tape procedures which are a common feature of all government bodies, what with the conspicuous absence of delegation of authority, the secret of success of any well-managed private sector business.

The only redeeming feature of the government announcement on the subject is the reported "present thinking" of the government to have "four corporations competing with one another for business all over India" The need for having a number of corporations, instead of having only one unwieldy monolithic body such as the LIC has proved to be, doubtless stems from experience arising out of the working of the LIC as well as the nationalised commercial banks. Even in respect of these two organizations, the demand for splitting the present set-up into separate regional corporations but with freedom to operate all over the country has been growing, which is understandable. Such a division or decentralisation also seems to be called for to ensure greater and more intimate control over workers than has been possible today in respect of workers in either the Life Insurance Corporation or the nationalised banks.

Sub-Contract Exchanges: Potentialities in India

A·G· LOBO

WHAT IS sub-contracting? When did it start?

In simple language, sub-contracting means the entrusting of certain responsibilities to others who are better equipped to perform those functions satisfactorily. A deft definition describes it as just "division of labour based on the principle of fitness for purpose".

Abel, son of our first parents, was not, from biblical accounts, a particularly famous cook. He could serve, we are told, only "burnt offerings". A lot dependent on his wife, he deposited the skinned trophies of the chase at her feet. Seasoning them carefully with selected herbs, she returned the meats, barbecued, to her husband in the form of succulent steaks and was given her share of it for her trouble. This may reasonably be assumed to be the first sub-contracting deal ever struck by man.

Sub-contracting in nature has been taking place ever since the world began. In fact, in our scheme of things it is "natural" to depend on outside assistance to help us with the complex job of living and making good.

Before the industrial revolution came about in Europe, each village community, as in India, had its own specialist technicians and this gave rise to surnames bearing the names of the trade or profession followed. Names like Smith, Mason, Cartwright were examples. The entire village community knew the specialist technicians in their locality, as well as those in neighbouring towns and villages, by name. As the requirements of the community grew, so did industry and with that the necessity to prepare lists of specialists. With industrial growth, this concept has now grown to enormous proportions and the ever-growing lists are compiled into voluminous directories of trade and industry. We use directories to supplement our limited knowledge of firms specialising in one or other line of industry. Specialisation thus gives the desired "fitness for purpose" so essential in sub-contracting.

There is far too much hit and miss in our efforts to find suitable sub-contractors. Directories by their very nature are not detailed enough to convey much information generally; they give the names of the units and their addresses. On account of publishing difficulties, they seldom, if ever, get updated. Some of the more affluent contractors do try to maintain their own lists of sub-contractors, but these are limited and deficient in coverage, with limitations inhibited by narrow scope and a narrow coterie of acquaintances. Since it is not the full time occupation of a firm to prepare lists of sub-contractors, the knowledge held is often inaccurate, out of date and contains far too much guesswork. "Is it Kalyan or Kalyani?" one may ask, and: "Was he Mehta or Mishra?" These are a few typical errors the sub-contract exchange seeks to avoid.

A well-organised sub-contract exchange is a repository of industrial information for the purpose of advising a company of the manufacturing facilities, materials and bought-out components (catalogue and proprietary items) existing outside its own organisation.

It should be conversant with all the above facilities existing in the operating area. The information logged should also be maintained up-to-date.

The exchange should fulfil the following operational requirements:—

1. Answer enquiries received from user companies for (a) specific capacity (one or two operations or facilities), (b) the manufacture of a component, requiring groups of operations or facilities, and (c) bought-out parts (catalogue items/proprietary items).

2. Generate statistical information by analysis of its enquiries and from its knowledge of the capacity of its operating area and its degree of loading.

3. Establish operating procedures and "paper work" both for clients and operating personnel.

The scope of a sub-contract exchange ranges over the whole of engineering and can be extended into other fields as well where the requirement exists for outside capacity whatever its physical form. With the increased complexity of technology, the need for sub-contracting is even more pronounced. No single company, for instance, can afford to install all the facilities it requires daily as well as those it requires occasionally. In fact, every company need not specialise in every particular operation, item or sub-assembly. It is no longer now a question of being able to do a job or not. In this age of fierce competition the problem before us is to do it at economic prices and meet the delivery schedules. Sub-contracting enables us to practise the best division of labour and makes use of the best allocation of materials and resources. A large company can most profitably apply its resources to the fields of organisation, research and development, marketing, etc., requiring large resources of capital and long-term planning, whilst a small company is at its best in specialised work requiring know-how in a limited number of skills.

Resultant Savings

Many savings result from sub-contracting. The more important of these are:

(1) There is a reduction in capital investment. Companies may not purchase machinery which is know to be installed in a nearby factory whose services can be secured easily.

(2) The system makes for cheaper prices as the specialist can return the components at lesser cost without delay.

(3) Flexibility also is an advantage of smaller units as they can make adjustments in their manufacturing programmes to advance deliveries or to make part supplies.

(4) Savings of labour are also effected as a firm specialising will naturally have the skilled labour for the purpose and the problem of a larger unit having to retrench redundant labour during slack periods will not arise.

(5) Seasonal fluctuations and the holding of large inventories of materials are avoided if sub-contracting is resorted to.

Sub-contracting is nowhere better illustrated than in the motor vehicle industry, the larger companies using their resources on designing and marketing and sub-contracting the manufacture of proprietary items, machining and allied facilities to smaller competent industries.

Wholesome Enterprise

A sub-contract exchange could thrive best when the enterprise is wholesome economically, socially and politically, where the economic system is characterised by a high degree of occupational specialisation, organisational elaborateness and structural complexity coupled with a high level of industrial technology. Thus, the extent to which sub-contracting can in practice be tried in industrial countries depends on three important factors. These are:

(1) An efficient network of transport and communication.

(2) A progressive group of industrial undertakings which could come forward to sub-contract work through the exchange with a view to making use of its services effectively.

(3) A sizable proportion of sub-contractor units competent to deliver quality goods to time schedule. It is obviously necessary that when sub-contracting is undertaken, it should be carried out in a systematic way with the aid of the latest methods available so as to "deliver the goods" as accurately and quickly as possible and at the same time avoid running into inconsistencies at a later stage.

Smooth relationship between contractors and sub-contractors requires that healthy ethical norms exist in their dealings with each other.

A sub-contracting firm may not tender or accept work if it has no intention, machine capacity, or technical ability to supply the stores within the stipulated time. Similarly, declining work after considerable delay deprives another company of taking up the work, whilst at the same time it throws the planning of the contracting firm out of gear.

On the other hand, the contracting unit may not invite tenders which involves considerable effort in quoting if it has no intention to use them. Also it is sinful to use the estimating department of another unit because the contractors are overloaded or unable to estimate correctly.

Reprehensible Action

Above all, inordinate delays in payment are reprehensible, besides being harmful to the reputation of the firm indulging in such practice. In effect, it amounts to holding the working capital of the sub-contractor while saving one's own.

The main advantage of a sub-contract exchange operating in a developing economy, lies in the utilisation of competent idle capacity; it makes possible a multi-directional traffic of work and facilities and thereby generates increased productivity in the operating area.

Thanks to the perspicacity of the far-seeing Development Commissioner for Small-Scale Industries, Mr K.L. Nanjappa, the sub-contract exchange, a comparatively recent concept even in Europe, has now penetrated into India and has been operating for some months at two selected locations, namely Bombay and Madras, through the respective small industries service institutes serving the states of Maharashtra and Tamil Nadu. The operation of the exchanges has been skilfully geared to the promotional aspects of the functioning of the Small-Scale Industries Development Organisation to which they belong and has also created an outlet in industrial areas hit by recessionary trends. In addition, by virtue of the intimate knowledge of facilities and capacities of the registered undertakings, it has been possible to locate industrial units to take up items of import substitution and also to recommend Indian manufactured goods to foreign importers. The areas in which the two existing exchanges operate, having the advantage of established groups of progressive industrial undertakings ready to take advantage of facilities made available, extensive organised sub-contracting has been

possible through the medium of these exchanges.

Already other states such as Uttar Pradesh have announced their intention of establishing sub-contract exchanges of their own. Although these exchanges will not be operating in such heavily yielding areas as Maharashtra and Tamil Nadu, yet their establishment should augur well for industrial growth.

Light Engineering : Performance and Prospects

A SPECIAL CORRESPONDENT

As in the case of heavy industries, the development of light engineering industries in India has been quite striking. The products of this sector are mainly in the nature of consumer articles and producer goods like watches, time-pieces, clocks, sewing machines, electric fans, burning stoves, bicycles, typewriters, calculating and adding machines, duplicators, hurricane lanterns, razor blades, ball and roller bearings, bolts and nuts, storage batteries, radios, etc.

Till economic planning in India gained momentum, almost all these items were imported. Now in respect of each of these items, the indigenous production has recorded considerable increase over a period of time. The production of bicycles increased from 1.20 lakh nos. in 1951 to 15.36 lakh nos. in 1965 and the present production is around 20 lakh nos. The output of sewing machines jumped from a mere 0.48 lakh nos. in 1951 to 4.20 lakh nos. in 1969.

The production of electric fans increased from 2.16 lakh nos. in 1951 to 14.52 lakh nos. in 1965 and further increased to 15.48 lakh nos. in 1969. From a mere 0.84 lakh nos. in 1951, the production of radio receivers increased to 17.40 lakh nos. in 1969. In 1969, the output of storage batteries was 11.52 lakh nos., against 7.44 lakhs nos. in 1965.

Indian Contribution

India produces over 10 per cent of the world's total output of razor blades. From 24 millions in 1951, India's production of razor blades increased to 948 millions in 1965 but declined to 828 millions in 1969. Competition from foreign blades which came into India by way of smuggling explains the fall in production. With the increased tempo in the industrial and commercial activities, the indigenous production of typewriters has recorded increase and India's present production of typewriters is of the order of 5,000 pieces per annum. The country is now planning to produce electrical typewriters too. The plant for this is being set up with American collaboration and is expected to go into commercial production by the end of next year.

A number of units both in the organised and small-scale sectors, are producing wood/machine screws, bolts and nuts, including high tensile bolts and nuts, and wire nails; production of these has been recording increase year to year. The output of bearings in 1969 was 128 lakh nos. against 82 lakh nos. in 1965. India however produces only about 350 types of bearings out of the estimated 3,000 types and sizes of bearings in the world.

There has been a marked increase in the output of adding and calculating machines, while items like auto leaf springs, industrial chains, hurricane lanterns, etc., which had suffered some setback during the recession period, have improved their output during the last two years.

Significant Progress

The progress of automobile ancillary industry during the last 15 years has been quite significant. There is today a well-established ancillary industry with about 150 productive units. The development of the automobile industry has aided the growth of this ancillary industry. The automobile incillary indutry in India now produces items like cylinder liners, gaskets, valves, filters, clutch and fuel injection equipment, etc., the demand for which was met mainly through imports till recently. The industry's output is worth Rs 117 crores per annum.

A number of items produced by the light engineering industries is being exported to almost all parts of the world and certain items like sewing machines, bicycles and bicycle parts are good foreign exchange earners. The Indian bicycle industry has made a successful debut in the export market. Indian exports of bicycles and parts have increased from Rs 10 lakhs in 1960-61 to Rs 470 lakhs in 1969-70. The principal item among bicycle parts exported is chain.

The exports of sewing machines, though they have been fluctuating, have recorded considerable increase. Against Rs 31.35 lakhs worth exports in 1965-66, exports of sewing machines in 1968-69 aggregated to Rs 54.29 lakhs. Although the export value of razor blades in 1969 at Rs 17.5 lakhs was far below the value of Rs 30 lakhs in 1965, the 1969 exports were the highest for the three-year period to that year. The automobile ancillary industry is also a foreign exchange earner and its exports are of the order of Rs 4 crores at present.

India has been able to improve the export performance of her data processing machines — these exports in 1969-70 were worth Rs 197 lakhs, against Rs 141 lakhs in 1968-69. The export value of electric fans and parts in 1969-70 was Rs 213 lakhs, against Rs 187 lakhs in 1968-69. India earned Rs 177 lakhs in 1969-70 through the exports of batteries (dry and storage), against Rs 201 lakhs in 1968-69.

In order to encourage the development of the light engineering industries, the production of several items like auto-leaf springs, ball and roller bearings, bicycles, bolts and nuts, wood/machine screws, steel balls, agricultural machinery and implements, etc., is being given priority. This enables these industries to receive liberal import licences for raw materials, spares, components, etc. Further, some of the industries like typewriters, clocks, watches, time-pieces, safety razor blades, metal containers etc., are being given some specialised treatment as "selected non-priority" industries so that their full import requirements are met.

With a view to avoiding excess licensing of capacity, many items in the light engineering industries had been placed on the "Rejection List" for licensing new capacity. The manufacture of certain machine screws (except for socket head and special types), bolts and nuts (expect high tensile and other special type), hurricane lanterns, hand numbering machines etc., is not permitted by the organised sector; it is reserved only for the small-scale sector.

Self-Sufficiency Achieved

By and large, most of the industries in the light engineering sector have been developed to the extent of being self-sufficient and imports of such items are either banned or restricted. In respect of certain items the output of which is less than the domestic demand, expansion of the existing capacities is permitted on merit.

Frequent shortages of raw materials such as steel sheets, wires, rim strips, alloy sheet bars, spring steel flats, however, are hampering the progress of light engineering industries. In fact, the supply position of certain raw materials like free cutting steel bars, spring steel strips, nickel, etc. has been too tight in recent years with the result that there has been significant under-utilisation of capacity. While certain industries are able to procure raw materials indigenously, industries like ball bearings, razor blades, data processing machines, etc., have to rely on

imported raw materials and components on a substantial degree.

Since the light engineering industries can play an important role in boosting exports, measures to develop them and also to increase their output need to be taken energetically. Though indigenous production of certain items manufactured by the light engineering industries has been increasing, because of unsatisfied demand, we are still importing certain items at a considerable foreign exchange cost. The case of ball-bearing is an example.

It is also relevant to state that certain industries in this sector are yet to be expanded sufficiently. Take the case of the wrist watch industry. So far only two firms — the HMT in the public sector and the Indo-French Times Industries in the private sector — have been set up. The present indigenous production of wrist watches is only a little over five lakh pieces per annum, againt the estimated annual demand of 40 lakh pieces.

The razor blade industry should concentrate more on quality than on multiplying brands which give less satisfaction to the consumers.

Thus, while there has been a sizable overall growth of the light engineering industries in India, certain branches are yet to be developed. Since many of the light engineering industries are concentrated in the small and medium-scale sectors, developing these industries would help the nation to achieve one of its major aims of assigning a vital role to these sectors in the industrialisation of the country.

WINDOW ON THE WORLD

The Core of Inflation

"What we must aim at is not growth plus the highest possible degree of stability, but stability with the highest possible degree of growth". —Franz Heinrich Ulrich, Chief Executive, Deutsche Bank, West Germany.

JOSSLEYN HENNESSY

LONDON.

I

AUSTRALIA'S TURN NOW

In the last few years the rate of inflation in many of the western democracies has accelerated sharply. Rapid increases in wage costs and prices, and the failure of official policies to curb these increases, have given rise to despondency and even alarm.

Australia, which for some time was able to point without complacence to its relatively slow rate of inflation, now faces a similar situation. The consumer price index for the December quarter, which does not include the six per cent national wage increase, revealed a rate of increase in prices of nearly eight per cent a year. This, combined with the prospect of continued rapid inflation during 1971, has spread a feeling through the community almost akin to fear.

It should be noted that the six per cent wage increase followed hard on the substantial increases in various state and Commonwealth awards. Two outstanding examples are engineers and executive officers of the Postmaster General's Department and the Melbourne and Metropolitan Board of Works, who have received total increases of around 21 per cent. The Minister for Labour and National Service, Mr B. M. Snedden, then predicted that average earnings in Australia would rise by 10 per cent in 1971. As national productivity can be expected to increase at the most by three per cent, this would suggest a price rise of seven to eight per cent in the current year.

There is widespread agreement that strong action to curb inflation is required, but no clear or confident consensus on what this action should comprise.

To have any chance of being effective a policy to check inflation must start by recognising one central, inescapable fact, common to all the free economies of the world as the 1970 decade gets under way. This is the insistent urge of practically everyone to achieve year-by-year improvements in their living standards—politicians, doctors, teachers, public servants, no less than the great mass of wage and salary earners. This has been well described as the revolution of rising expectations. Moreover, rightly or wrongly, probably wrongly, people equate their living standards with their disposable incomes (incomes after tax) that is, with what they have to spend on their personal needs. *They do not include in this assessment the quality of the community facilities in schools, roads, hospitals and the rest available to them, although they are quick to complain when these are seriously deficient.*

II

ALL IN THE SAME BOAT

In the past few years, demands for improved living standards (ignoring welfare benefits) have greatly intensified through the western economies. In Britain and the United States, wage agreements in key industries are providing increases ranging from 10 to 15 per cent. Precisely the same is happening in West Germany and other European countries. These increases are, of course, many times in excess of the yearly gains in national productivity and are pushing up prices at a threatening rate.

Australia has now caught the contagion and the rate of increase in average earnings is accelerating sharply. What can be done about it?

In Australia, the revolution of rising expectations is colliding head-on with the national goals of rapid population increase and development. In this conflict is to be found the root cause of the Australian inflation. The massive scale of the immigration programme means that an unusually high proportion of resources must be devoted to capital expenditures of a kind which make no immediate or early contributions to the improvement of living standards. Resources used for capital purposes mean a reduction of resources available for consumption and, in fact, the rate of increase in consumption expenditure in Australia has, for many years, been the lowest of any of the advanced western economies. The Australian people are now showing impatience with the slow advance in their living standards.

The *capital expenditures* of governments, at all levels, are by far the most inflationary, not only because the benefits are usually long delayed, but because they are of a kind *which the people do not associate with an improvement in their personal living standards*. Practically all these expenditures are financed by heavier taxes and municipal rates, and by higher charges by public instrumentalities, such as the Postmaster General's Department and those concerned with gas, electricity, water and transport. These taxes and charges are, in fact, the means by which resources are diverted away from the satisfaction of consumption demands (*See* Section V following). But higher taxes merely serve to inflame the ever-present, smouldering demand for higher incomes. (This is especially true since the advent of pay-as-you-earn taxation).

In this situation, the options of the economic managers are limited. Since the war, the use of the fiscal weapon to curb inflation has invariably been associated with an increase in taxes. The use of the other prong of the fiscal weapon, the reduction of government spending—because of the rate of population growth and the consequent need for the expansion of community facilities—has hitherto been regraded as impracticable.

III

WORDS OR DEEDS?

Mr J. G. Gorton's TV address to the nation on January 29 seemed a remarkable change of approach and gave rise to hopes that government was at last about to devise a strategy to deal with inflation, which would strike at the underlying causes. The address suggested that higher taxes and interest rates were, for the time being at any rate, to be discarded from the armoury of counter-inflationary measures. The emphasis was to be on the reduction of capital spending, and particularly capital spending of governments.

Mr Gorton's speech also indicated that vigorous action against restrictive trade practices and a more discriminating use of tariffs were to be part of the policy. Both these measures are sensible, but neither should be taken too seriously as a counter to inflation. Britain and the United States, which have had trade practices legislation for

many years, are also suffering from rapid inflation.

The policy thus stated held out the best prospect yet, not perhaps of stopping inflation altogether, and certainly not tomorrow morning, but of rendering it more manageable. At the same time it amounted to an extraordinary confession of error, because only a few months previously the Australian Federal Government had brought down a budget providing for record increases in government spending, under pressure from state governments endeavouring to cope with a huge intake of immigrants. The budget had also embraced largely futile, indeed harmful, increases in company and indirect taxation.

After the bold and admirable expression of intentions in his TV address of January 29, Mr Gorton's statement to Parliament, only a little more than two weeks later, came as a shock to thoughtful and responsible people. The community was expecting at least the outline of a rounded, long-range plan to grapple with inflation: all that they got was the brusque announcement of cuts in Commonwealth spending (running at over $8,000 million a year) amounting to $75 million over the remainder of 1970-71. This would have been applauded had it been placed in the setting of a long-term programme to reduce spending by governments at all levels and to cut back the proportionate claims of the public sector on total national resources. Even with the cuts so far announced, the rate of Commonwealth spending in 1970-71 will expand by 11.4 per cent—slightly more than that predicted in the budget estimates and far above any possible increase in the gross national product. As it is, people have been left wondering if resolution has, for some reason, weakened since January 29.

No Change Expected

The appointment of Mr W. McMahon as Prime Minister, following a Liberal Party vote of no-confidence in the then Prime Minister, Mr Gorton, is not expected to change at once the policies of the coalition government.

The Prime Minister, addressing the Associated Chambers of Manufacturers of Australia in Canberra on April 21 said the government did not want to strangle the economy in the process of trying to find a cure for inflation. It wanted to try gradually to bring inflation under control, at the same time permitting expansion at a rate of about 5½ per cent a year. There could be no lessening of the activities of businessmen to keep costs down. The government and manufacturers needed to be active before the Arbitration Commission to keep wages within reasonable limits. Mr McMahon said it was obvious that on discounted gross national product figures there was an inbuilt rate of inflation of at least five per cent. This could be conquered if high productivity were achieved. He compared wage rises in Japan and Australia in recent years. The Japanese wage increases were about 10 per cent a year. This was higher than in Australia, but because the Japanese had a productivity increase in excess of 11 per cent they were able to absorb the wage rises and in international company were able to better than compete with other countries in the world. Australia was not in that position because its primary industries could not have productivity increases of that kind. Mr McMahon said he hoped government and manufacturing industries, together with mining and other industries could co-operate towards greater productivity, and thus permit Australia to grow at a rate of gross national production in real terms of 5½ per cent. Then he would not be so worried about inflation.

Ironical Sequel

An ironical sequel of the Commonwealth's decision to cut public spending has been the announced intention of the Prime Minister of Victoria and South Australia to increase taxes and also charges for public services such as transport, gas, electricity and water. If this course is persisted in, the central pillar of the Commonwealth's counter-inflationary policy—the reduction in government expenditure—will be undermined. The cost of living will be further raised, inciting another burst of claims for higher incomes all round. Unless state expenditures are cut substantially, like the famous tower of Pisa, the structural lean of the economy—towards inflation—will remain uncorrected.

No one would expect overnight results—in any event we will not get them because the prospect for the months ahead is for continued, and possibly steep, price increases—but at least the nation should have been left in no doubt about the strength of the government's resolve to rid the economy of inflation. This resolve will be tested in the budget next August. Unless the budget provides for a substantially reduced rate of government spending throughout the public sector, and especially at state levels, inflation is likely to continue. The central aim of government strategy must be to alter the disposition of resources between investment and consumption (or living standards) more in favour of the latter.

IV

WANTED : SKILLED IMMIGRANTS

An inevitable corollary of this course is a reduction in the huge immigrant intake to reasonable proportions. The reduction must be much more than nominal—perhaps to somewhere about half the present level. Australia should endeavour to maintain, however, the flow of skilled workers which in 1969-70 amounted to about one-third of the gross worker immigrant intake.

Notwithstanding the huge outlays on capital works the standard of public facilities in every field has continued to fall alarmingly below that deemed desirable in a modern community. The core of the whole problem is that the rate of population growth cannot be supported, even at minimal community standards, without inflation.

Important Proviso

Unless the government's fight against rising prices is carried to the point where excess pressure on resources is eliminated, particularly for labour, and also receives full co-operation of the community it will fail. The second proviso is no less important than the first. When living costs are soaring, government gets the blame. And it is true that the national government must bear the major responsibility. But national policies, it is often forgotten, reflect the pressures imposed on governments by the people.

Looked at in this way, practically every section bears some responsibility for inflation, because in urging governments to spend more for their special benefit, or to follow policies of maximum growth (inseparable from additional expenditure), they act in a way which makes rising prices inevitable. Then everybody overlooks his own contribution to the end-result and seeks to cast the blame elsewhere.

The trade unions, for instance, are far from guiltless. Those unions which support extravagant wage demands, or use any pretext to instigate work stoppages or go-slow measures, add their quota of fuel to the inflationary fires. Nor are employers entirely free from responsibility. There is a vein of truth in the view expressed in the National Wage Judgement that some employers are overready to reach an accommodation with the unions, especially when they are in a position to pass on increased costs in higher selling prices. State governments, self-righteously obsessed with development at any price, should try to understand the economic consequences of what they are doing. Moreover, they have a special duty to set a good example. No one will deny the right of a member of Parliament to a fair reward for his services, but for a state parliament to grant itself a 22 per cent increase in salaries, at a time of great delicacy and

looming inflation, is surely a regrettable disregard of the public interest.

If as a community, Australia is in earnest in wishing to overcome inflation—and it is certainly in the interests of all to do so—then all sections of the population must accept their share of the sacrifices required and must work together to conquer the common enemy. Unless there is change of heart right through the community, inflation will persist.

V

THE THEORY OF INFLATION

The cause of inflation is generally attributed to an excess of total demand over total supply. This is the explanation that usually emerges from official and academic quarters. It follows from this that to stop inflation, total demand (or more precisely, the rate of increase in demand) must be reduced to bring it into balance with available supplies.

To ascribe inflation to excess demand is, however, in the view of the Australian Institute of Public Affairs, merely to state a truism. What has to be determined are the causes of the excess. In this regard, there are two ratios within the total complex of demand which are significant: the ratio of expenditure on investment to expenditure on consumption and the ratio of private sector spending in the public sector. In Australia, given the strong bias towards investment rather than consumption and toward public sector spending, particularly on capital projects, these relationships are especially important.

If inflation could be cured simply by cutting back total demand — as the conventional wisdom suggests — then it is immaterial whether the measures affect mainly private demand or government demand or investment spending or consumption spending. All that would matter is that the total be reduced. In actual fact, in Australia (as in so many other countries) it is private demand that gets the axe, while government spending proceeds unchecked. Also, the brunt of disinflationary measures always falls on consumption rather than investment.

The weakness in this approach is that if anti-inflationary policy impinges too heavily, as it invariably does, on private sector spending and on consumption spending, it gives rise to dangerous side-effects. Both the private sector as a whole, and the people in their capacity as consumers, strongly resist the attempt to cut down their shares of the available resources. This resistance results in competition for resources between consumption and investment on the one hand, and between the private and government sectors on the other. Where the proportions of investment expenditure and of government expenditure (on goods and services) to total expenditure are already usually high, as they are in Australia, the resistance, and the resulting competition for resources, is certain to be fierce.

The orthodox view assumes that this competition for resources must remain latent so long as consumers and the private sector are deprived of the means to express their demands. This, it is argued, can be achieved through raising taxes on individuals and businesses and by imposing restraints on their ability to borrow through the normal channels. But in the opinion of the Australian Institute of Public Affairs, what this overlooks is that neither the consumer, nor the private sector, will submit to severe curtailment of the resources available to them without taking compensatory action.

Faced with a sharp reduction in their current consumption standards (because of higher taxes, greater difficulty in borrowing, and higher charges for what they are able to borrow) consumers react by demanding increased incomes, by cutting down savings and by seeking ways of borrowing outside the banking system. Businessmen resist the curtailment of the resources available to them (and their appropriation by the government sector) by raising prices and by competing strongly with governments for the supply of investment funds. The rise in the price of money (the rate of interest) that follows is evidence of this competition. Thus, attempts (which heavily penalise consumers and the private sector) to bring total demand into balance with supplies are certain to lead to retaliation by those affected and thus to new inflationary pressures which tend to undermine the purpose of the whole exercise.

To rid the economy of inflation (by curtailing demand) it is essential that the action be directed at the trouble spots. These are the imbalance between consumption and investment expenditure and between private and public sector spending. The main burden of the measures taken must fall on capital expenditure, and particularly the capital expenditures of governments.

Sources and acknowledgements: The foregoing summarises a special report in the latest issue of the quarterly review of the Australian Institute of Public Affairs (289 Flinders Lane, Melbourne 3,000), but the Institute is responsible neither for the emphasis of my summary nor for my comments, based on a variety of sources.

West Europe on the Defensive

E. B. BROOK

VIENNA.

THE PAST fortnight or so in Europe has seen not one moment of truth but several such moments. The dollar crisis, as yet by no means resolved, is doing more than any other factor to reveal the basic hollowness of the claims for unity within Europe and threatens even to expose the principle as essentially frail at the very moment when the possibility of Britain and others joining the Common Market would advertise its validity.

As all the world knows, but few admit, the Common Market and all other economic groups are, at heart, defensive institutions rather than really co-operative organisations. Differences of intent there must be and of interests. But this dollar crisis has shown up differences as essential hostilities. It was the creation and early success of the Common Market in a Europe still sick from the war that caused the creation of the European Free Trade Association; in a sense the earlier combination of Europe's eastern states into Comecon, the Council for Mutual Economic Assistance, had provided the germ of the Market idea and was the first formal step in breaking Europe economically into two and then three groups.

Essentially, the Common Market has become a defensive group principally against the United States and only to a minor degree against Comecon, largely because Comecon is still comparatively too weak to matter much. But the almost antipathetic defensiveness of the Market against the United States has been underlined heavily this month.

The dollar crisis has been so acute and has produced such sudden defensive measures within western Europe that the world is no longer the same as it was before that crisis broke out. Within the Common Market, the French are angry with the West Germans who respond with irritation towards the

French. Almost all western Europe looks sourly at the United States. More seriously, the French-German rift now threatens to slow the long-sought political and economic integration within west Europe; in short, to decelerate achievement of the real purpose of the Common Market.

The West Germans, now firmly under the economic control of the experimental Dr Schiller, resent the French attitude as a continuation of post-war occupation sentiment and the French suspect the West Germans of moving towards the monetary and economic domination of Europe., Only in one thing—in accusing the USA of bringing about the crisis by 20 years of balance of payments deficits—are the west Europeans united, to the expressed glee of east Europeans. Above all, President Nixon is seen as the cause of the whole trouble by being guided only by his intentness on re-election as President next year.

American Attitude

The Americans do nothing to cool European annoyance by describing the crisis, which has led to alteration of the exchange values of three central European currencies, as "the most unnecessary monetary crisis that ever occurred." They annoy the West Germans particularly by accusing them of lacking the courage to revalue the mark for a second time.

The fact is, however, that west Europe has developed a large-size love-hate relationship to the US dollar. It is not a little distasteful to others as well as to Americans to see the west European countries, which owe their post-war recovery very largely to the US dollar bountifully bestowed on them at that time in the form of Marshall Aid, viciously attacking the dollar because of the long-standing imbalance in US payments. This imbalance now consists of a contrast of US reserve assets of 14 billion dollars to a total of 42 billion US liquid liabilities to foreigners. But what the Europeans really fear is not US trade against the background of this financial imbalance but the fact the US business corporations, with access to both the Eurodollar (US dollars in Europe) market and the New York money market, have the ability to transfer so many dollars that national European money markets can be dislocated. This US financial facility is really the crux of the whole matter.

This is the fact that has led the West Germans to float their mark for an indefinite period (target dates notwithstanding), the Swiss to revalue their franc by seven per cent and the Austrians their schilling by just over five per cent. The rather ominous fact is that these countries have defensively revalued their currencies because of an over-supply of dollars or fear of such an over-supply rather than because of the fundamental strength of the economies that have revalued or allowed their currencies to float. Neither Switzerland's nor Austria's balance of payments justify any revaluation of their currencies, far less such wide revaluations as they have indulged in.

The West Germans have a rather better case to present for allowing the mark to float—and it has floated upwards by a little more than three per cent, in contrast to Austria's 5.05 per cent and Switzerland's seven per cent revaluations. West Germans could have risked another quick upward revaluation of the mark since such a move would have sent the billions of "hot" US dollars flowing back to the USA and made it easier to deal with West Germany's inflation problem. But this problem is always a particularly dangerous one for any German government with an electorate twice ruined in half a century by monstrous inflations. Such a revaluation would clearly, also, have shown Bonn as leading west Europe towards a realistic cohesion and thus challenging some of its Market partners.

But the West German government has also a fixed policy of detente with east Europe, particularly with the Soviet Union. To sustain this policy the Free Democratic Party which bases its support on the German farmers. Revaluation of the mark, unless co-ordinated with currency adjustments by West Germany's partners in the Common market, would have exposed the German farmers to revised pricing arrangements in the Common Market. As a result, Bonn compromised by floating the mark so that it could accuse others of damaging the interests of the farmer voters.

With home and international political interests inextricably mixed up with monetary economics over this dollar crisis, it is reasonable to assume that the trouble is not over, even if the spotlight moves temporarily from it to the possible widening of Common Market membership.

The essential point is the future prospect for the US and west European currencies which dominate three-quarters of world trading. One point appears certain : the Swiss and Austrian revaluations will do nothing to resolve the currency crisis. Neither country has a sufficiently large commercial relationship with the USA to make any real impact on the US balance of payments. This impact could be achieved only if almost all west European states revalued against the dollar, but this is a step most unlikely to be adopted. The Common Market has demonstrated its essential disunity in facing the crisis and this inability to take a united stand suggests that unilateral national exchange controls may be imposed as a last resort. It would be a most retrograde step but its possibility cannot be ignored.

The moving finger writes

PRESIDENT ANWAR Sadat of the UAR reports that certain papers left by Nasser had been stolen from a safe in Nasser's room. These papers contained, according to President Sadat, the details of the irregularities committed in the elections held in 1968 to the Arab Socialist Union which is the UAR's only 'legitimate' political party.

Here is a warning to Mrs Indira Gandhi, Mr Karunanidhi and their like that they should take special care of their own files of election affairs.

* *

The Prime Minister has at last discovered that a state of anarchy exists in labour-management relations and that this anarchy does or can do no good to the country. Her wisdom in fact has gone deeper than this for Mrs Gandhi has also realised that the maintenance of industrial peace is an issue in which the poor and the unemployed have a vital stake. It is possible that the chronic labour unrest in the public sector of industry generally and the state steel plants in particular has forced this home-truth on her. I wonder whether the Prime Minister has the courage to let her thought processes proceed further to the point where it ought to become clear to her that one of the reasons why the country does not have the industrial peace it needs is that the government of which she is the leader as well as she herself have been carrying on a politically motivated propaganda against private enterprise as a whole and, more specifically, against the larger business houses.

By assisting in the dissemination of an impression that private industry prospers by exploiting the community and particularly its weaker sections, leaders of the government and other like-minded politicians have inspired and encouraged workers and their organisations to adopt non-cooperative or even hostile attitudes towards managements. In the process discipline has been undermined not only in the case of employees in the private sector but also among workers in the public sector. The question is whether the Prime Minister and her fellow politicians are willing now at least to admit the folly of their ways and desist from speaking or acting in a manner which generates class-war tensions and antagonisms. So long as the government and its leaders, for political reasons of their own, persist in proclaiming that private enterprise is no better than a necessary evil which deserves to be regularly castigated or needs to be continuously policed, workers or trade unions cannot be blamed for not co-operating with managements in maintaining industrial peace.

* *

One of the most sickening features of contemporary journalism is the spectacle of editors and other well-heeled journalists, enjoying nearly six-figure incomes annually (including perquisites of varying degrees of legitimacy), haranguing the nation on the essentiality of the practice of austerity by the affluent. These journalists themselves are not by any means noted for their simple living, whatever may be the validity of their claim to high thinking. On the contrary, living more well than wisely comes easily to them if only because such high-cost aids to good living as, for instance, Scotch, are often available to them free or at least at much less than their commercial price.

I am therefore rather amused by Mr Sham Lal's tirade in *The Times of India* last week against "conspicuous" consumption by the "corrupted elite" in our midst. I confess that I am not competent to comment on the validity or otherwise of the moral argument against those who choose to pamper any or all of the five senses. But I would certainly assert that Mr Sham Lal is treading on unsure ground when he inveighs against the growth of industries which, as he puts it, "cater only to the skin comforts of a tiny minority". Taking Mr Sham Lal's description in its austerest literal sense, I would like to ask him whether it would be injurious to economic growth or social justice were the manufacture, for instance, of polyester fibre or fabrics — which may be classified as 'skin comforts' — to be encouraged and if so in what way. I do not know whether Mr Sham Lal wears only hand-spun khadi and, even if he does, it is possible that he may not realise that hand-spun khadi is one of the most expensive clothing materials and therefore, as a 'skin comfort,' the luxury of a tiny minority.

The belief that mass employment can be created or the standard of living of the people improved through a pattern of industrial development which rigorously standardises production and consumption and also restricts both to bare essentials, unfortunately, dies hard. It is always a thankless job to debate with those who are not deterred by their imperfect understanding of economics from moralising about it in dogmatically didactic terms. Mr Sham Lal therefore need not be taken more seriously than to the extent of being told that the economy can no more expand itself by restraining consumption than a hungry man could fill his belly merely by tightening his waistband.

Before I leave Mr Sham Lal to his contemplation of the misdeeds of a "corrupted elite", I may refer to his righteous indignation about a certain gentleman of Kolhapur district (this gentleman, incidentally, hails it seems from Sholapur district and not Kolhapur district) who, we are told, recently entertained a lakh of people including state ministers and other dignitaries to a lavish feast held to celebrate the wedding of his son. Mr Sham Lal confesses to a sense of outrage at such an ostentatious display of wealth and is greatly pained that politicians belonging to Mrs Gandhi's party should have felt no compunction in participating in the extravaganza. If Mr Sham Lal's purpose in mentioning the fact that this gentleman is the chairman of several co-operatives is to raise questions about the sources of his wealth and if Mr Sham Lal's anguish is related to the thought that the presidentship of co-operatives could be made such a paying profession, I would not only sympathise with his sentiments but also share them. But I must part company with him if his grievance is only about the way the gentleman from Sholapur district chooses to spend his money.

Society has a clear interest in ensuring that all incomes whether high or low are earned through productive activities. Its right to pronounce how a man should spend his income after he has earned it however is valid only within very narrow limits. In any case Mr Sham Lal would be betraying a sad lack of a sense of proportion were he to suggest that even a million wedding feasts on the Sholapur scale would be capable of ruining the economy. Much of what is called ostentatious consumption is a subjective and often arbitrarily moralistic estimate of what a man is entitled to do with his money. Mr Sham Lal, I am afraid, has exposed himself to the jibe that his name ought to be pronounced as it is spelt.

V.B.

Trade Winds

GOLD CONTROL ORDINANCE

THE PRESIDENT promulgated the Gold (Control) Amendment Ordinance 1971 amending sections 71 and 73 of the Gold (Control) Act, 1968, on May 20, 1971. Section 71 which creates liability for confiscation of gold in respect of which any provision of the Act is contravened was declared unconstitutional by a judgement of the Supreme Court in March this year. The court held that it appeared to place an unreasonable restriction on the right of a person to acquire, hold and dispose of gold articles or gold ornaments. The court had also observed that Section 73, which allows the levy of a fine in lieu of confiscation not exceeding twice the value of the gold in respect of which confiscation is authorised, appeared to be unduly harsh. The ordinance provides that where any gold which becomes liable to confiscation for an act or omission of a person other than the person to whom it belongs, it shall not be confiscated but the actual offender would be liable to other punishment provided under the gold control law. Provision has also been made for reopening of cases where confiscation ordered under the invalidated Section 71 was not in accordance with the provisions of that section as now amended and for fresh adjudication of such cases on an application being made by the person aggrieved by the initial order of confiscation. A period of 90 days has been prescribed for making such application for reopening of a case. The ordinance has also reduced the maximum fine in lieu of confiscation to an amount not exceeding the value of the gold confiscated.

FOREIGN TRADE

With the final official figures for March now available, exports from this country during 1970-71 have totalled Rs 1,530.65 crores. This represents an increase of 8.3 per cent, Rs 117.4 crores over last year's exports which stood at Rs 1413.2 crores. Imports have also simultaneously increased from Rs 1,582.67 crores in 1969-70 to Rs 1,628.17 crores in 1970-71. India's trade deficit has dropped to Rs 97.5 crores from Rs 169.5 crores in 1969-70. This narrowing down in the deficit balance is attributed to improved performance of several items such as iron ore, engineering goods, oilcakes, tea, sugar, coffee and spices. Figures of foreign trade for March, 1971 are shown below, together with the comparative figures for the corresponding period of last year:

(Value in Rs crores)

	For the month of March	
	1971	1970
Exports (incl. re-exports)	136.06	128.47
Imports	139.07	140.85
Balance of Trade	—3.01	—12.38

STEEL CAPACITY

The Ministry of Steel expects to create a capacity of 300,000 tonnes of steel by the middle of 1972 through the six "mini" steel plants which have been sanctioned. Two of these will be in the public sector and have been sponsored by the industrial development corporations of Punjab and Kerala. Defending the four licences granted to parties in the private sector, the Minister for Steel, Mr Mohan Kumaramangalam, stated recently that this was not contrary to the Industrial Policy Resolution of 1956 as the capacity wa s only a small fraction of that in the public sector. He added that the Industrial Policy Resolution did not debar the big plants in the private sector like TISCO or IISCO from expanding their capacity. The minister was hopeful of implementing the expansion plans of the public sector plants. He expected the finalisation of the expansion plans of Bhilai to 4.2 million tonnes by next year and the commissioning of the Bokaro first stage of 1.7 million tonnes by 1972.

CONFERENCE OF TRADE UNIONS

Inaugurating the Conference of the Representatives of Trade Union Organisations recently, the Prime Minister, Mrs Indira Gandhi, stated that the "present state of anarchy" in industrial relations should be urgently eliminated. She added that it was legitmate for trade unions to champion the cause of their members, and it was not unpatriotic for workers to try to secure a larger share in the fruits of economic growth. Similarly, the question of incentives for innovative enterprise could not be completely brushed aside. At the same time, industrial relations were too serious and important to be left entirely to employers and the employed. The maintenance of industrial peace was an issue in which the poor and the unemployed, who stood outside the serried ranks of organised labour and industry, had vital stake. Indeed it was an issue of national survival.

Mr R.K. Khadilkar, Minister for Labour and Rehabilitation, in his introductory speech as chairman of the two-day conference of trade union representatives, appealed to the trade union leaders to adopt a new approach to the trade union movement and to give equal importance to increase productivity.

SEMINAR ON SHIPBUILDING

A seminar on "Indigenous Production of Equipment for Warships and Shipbuilding Industry in India", being organised jointly by the Ministry of Defence and the Ministry of Shipping and Transport, will now be held in Bombay from December 7 to 9. It was earlier scheduled for February 1972. Topics like standardisation of equipments and practices between the defence and merchant shipbuilding industries, indigenous designing of ships, production of spares for the existing machinery with the Indian Navy and merchant shipping, ship husbandry. and problems of industrialists and manufacturers will be discussed at the seminar. Delegates from shipbuilding yards, shipping companies, the concerned ministries and the Indian Navy, as also industrialists, manufacturers and representatives of the Indian Standards Institution and the Marine Training Institution are expected to participate.

TV INDUSTRY

The TV industry in this country at present consists of five manufacturers, four of whom have gone into actual production, with the technical collaboration of the Central Electronics Engineering Research Institute, Pilani. While some production was established during 1969, it is only during the year 1970-71 that all the four units operated, with three of them producing during the latter half of the year. Therefore, the actual figure does not represent the full annual production capacity of the industry. The total number of indigenously produced TV sets is now over 12,000 worth three crore rupees. During 1971-72 all the four units are working to their licensed capacity and have created conditions of easy availability of sets for the consumer..

The Indian Television Manufacturers Association recently pointed out that during the past year, two factors which retarded the progress of TV industry were: (a) imposition of 10 per cent exise duty, and (b) issuing, customs clearance permits for import of foreign TV sets. While the customs clearance permits


A DRAPE
TO BUILD A
DREAM ON
Century sarees are the answer
to your little day dreams.
So go ahead on a dream spin!
Century sarees are a rage of
prints and design together!
Cool as the evening breeze.
Light as air.
Century gives you sarees
from 100% pure cotton!
CENTURY
SAREES
THE
CENTURY
SPG. & MFG. CO., LTD.
CENTURY BHAVAN,
WORLI, BOMBAY-25 DB.
Century—For 100% cotton textiles

have stopped now, an injurious development is the liberality in the passenger baggage rules allowing import of TV sets without penalty. The TV manufacturers felt that a heavy outflow of foreign exchange on continual basis would be the price the country will have to pay if foreign companies are licensed for TV production. In line with the declared policies of the government to reserve consumer durables for small, medium and wholly national companies, TV manufacturers see no reason why this policy should not have applicability in the field of consumer electronics.

DELEGATION TO MOSCOW

A delegation headed by Mr K.N. Bamzai, Registrar of Newspapers for India, went recently to Moscow to conduct negotiations for about 50,000 metric tonnes of standard and glazed newsprint from other countries. The delegation will visit Moscow, Warsaw and Prague. The total requirements of newsprint in the country today are about 2,00,000 metric tonnes. Of this, indigenous production stands at 40,000 metric tonnes. The balance is met by import.

SUPPLY OF POWER TO HARIJANS

The union Ministry of Irrigtion and Power has asked the state electricity boards to give proper attention to the problem of extending the benefits of rural electrification to Harijans and the poorer sections of the community living in the vicinity of electrified villages. The question is being discussed at the two-day meeting of chairmen of state electricity boards beginning in New Delhi on May 27, 1971. Dr K.L. Rao, union Minister of Irrigation and Power, presides.

U.N. TEAM FOR REFUGEES

The three-member team of the United Nations High Commissioner for Refugees, which was here to assess the quantum of assitance required for the relief of refugees who crossed over to India from East Bengal, went back to Geneva. The Government of India submitted to the UN team a detailed chart of requirements costing Rs 200 crores for the maintenance and relief of the three million refugees. Mr Charles Mace, the leader of the team, which had an extensive tour of refugee camps in various states and union territories described the problem faced by India as "monumental." The team was expected to submit its report to the authorities soon.

ASSISTANCE FROM NETHERLANDS

An agreement between the union government and the Netherlands government for a loan of Rs 10.4 crores for this country's development plans was signed recently at the Hague by the Indian Ambassador and the President of the Netherlands Investment Bank for Developing Countries. The loan forms financial contribution for the year 1971-72. The loan is repayable in 30 years with eight years' grace period at 2.5 per cent interest.

EXPORT TO NETHERLANDS

The Netherlands government has taken the initiative to establish an organisation which aims at promoting imports from developing countries into the Netherlands, the EEC and western Europe in general in a practical way by: (1) furnishing as much information as possible about the possibilities of selling products of developing countries in the west European markets, (2) establishing contacts between buyers and sellers of these goods, and (3) any other activity that might contribute to the growth of imports from the developing countries. This new organization in the Netherlands started its functions on January 1, 1971. Its full name and address is: Centre for the Promotion of Imports from Developing Countries, Beursgebouw, Coolsingel 58, Rotterdam, Netherlands.

MATERIALS MANAGEMENT

The Vaikunth Mehta National Institute of Co-operative Management, organised the first course on Materials Management from March 29, to April 17, 1971. The objectives of the course were to equip the senior managing personnel working in various types of co-operative organisation in the scientific tecniques in the field of purchasing, ware-housing, inventory control and related aspects of materials management.

CHARTERED ACCOUNTANTS

At a conference organised by the Institute of Chartered Accountants of India with the chairmen, managing directors, financial directors and finance executives of important public sector underakings, Mr M.C. Bhandari, the president of the institute, emphasised the need for improvement in the field of accountability among the public sector undertakings so as to increase efficiency. It was announced that the institute would set up a separate cell for public sector undertakings which would deal with individual public sector undertakings as to their requirements in regard to the services of chartered accountants, training courses for accounting & financial matters, the type of education and training of future chartered accountants for the public sector undertakings and to deal with various other problems of public sector undertakings in which the institute could play a part.

HANDLOOM EXHIBITION

The seventeenth All-India Handloom Exhibition was inaugurated by Chief Minister of Tamil Nadu on May 2, 1971. The exhibition has a large number of stalls, displaying choicest handloom material from all over the country.

POWER GENERATION TARGET

Measures to achieve the fourth Plan targets of power generating capacity were considered at a two-day meeting of chairmen of state electricity boards which began in New Delhi on May 27, 1971. The meeting was inaugurated by the Minister for Planning and Deputy Chairman, Planning Commission, Mr C. Subramaniam and was presided over by the Minister for Irrigation and Power, Dr K.L. Rao. The fourth Plan envisages the commissioning of 9.2 million kw of additional generating capacity in the country bringing up the total installed generating capacity from 14.3 million kw at the beginning of the Plan to 23.1 million kw by the end of the Plan after taking into account retirement of old and obsolete generating units to the extent of about 0.4 million kw.

To achieve this objective, additional generating capacity of about 1.8 million kw per year should have been commissioned and a uniform growth rate maintained. However, only an additional generating capacity of 1.2 million kw was commissod during 1969-70 and about one million kw during 1970-71 against a target of 2 million kw and 1.6 million kw respectively.

The additional generating capacity to be commissioned during the remaining three years of the fourth Plan is about seven million kw, that is, about 2.3 million kw of additional capacity to be commissioned every year. According to a paper prepared for the meeting, out of the seven million kw, generating equipment for nearly 4.6 million kw is to be supplied by indigenous manufacturers and the balances 2.4 million by the foreign suppliers.

NAMES IN THE NEWS

Mr B.M. Ghia has been elected President of the Indo-German Chamber of Commerce for 1971-72. Apart from being the chairman of leading concerns such as Bayer India Ltd, New India Industries Ltd, and Indian Organic Chemicals Ltd, he is connected with various other important industrial companies and social organisations. **Mr D. Laengenfelder**, Managing Director, Hoechst Pharmaceuticals Ltd, Bombay, was elected the Vice-President of the chamber.

Company Affairs

SWADESHI POLYTEX

THE SUBSCRIPTION list of the public issue of Swadeshi Polytex Ltd of Rs 2.75 crores comprising Rs 1.65 crores in equity shares of Rs 10 each and Rs 1.10 crores in 9.5 per cent cumulative redeemable preference shares of Rs 100 each at par opened on May 25. The issue is to close on May 31 or earlier at the discretion of the directors but not before May 27, 1971. The entire public issue has been underwritten. The company is setting up a plant at Ghaziabad near Delhi for the manufacture of polyester fibre. The capacity of the plant will be 6,100 tonnes per annum. The estimated capital outlay is Rs 12.72 crores. Mr Sitaram Jaipuria, chairman and managing director, stated recently that the process of West Germany was the superior continuous polymerisation process, which was able to maintain the quality of the product. The company will get technical and engineering know-how, imported plant and design drawings for indigenous equipment from Uickers—Zimmer AG of West Germany. Mr Jaipuria stated that the plant was expected to be completed by the end of 1972 and commercial production was scheduled to begin at the end of 1972 or early 1973. He hoped that the company would be able to pay a maiden equity dividend of not less than 10 per cent for its financial year commencing from October 1, 1974. Thereafter, equity dividends were likely to be increased after providing for satisfactory transfers to reserves.

CHEMICALS AND FIBRES

Chemicals and Fibres of India Ltd has announced that the subscription list in respect of its public issue of 267,273 equity shares of Rs 10 each at a premium of Rs 15 per share will open on July 5 and close on July 17 or earlier but not before July 7. Letters of offer in respect of shares reserved for the existing shareholders are being sent. The company is issuing shares to the public in response to the government directive asking it to reduce the equity holding of ICI (UK) from 60 per cent to 55 per cent as a prelude to the grant of permission to expand its capacity from 4,500 tonnes to 6,100 tonnes per year. The expansion, estimated to cost Rs 3.74 crores, will be completed by the end of 1971.

The company has maintained an interim equity dividend of 11 per cent for the current year ending on September 30, 1971. The total dividend for 1969-70 was 27.5 per cent. The company's working results for the half-year ended March 31, 1971, show a little setback with the pre-tax profit amounting to Rs 1.68 crores against Rs 1.78 crores for the first half of 1969-70. The profit after tax amounts to Rs 78 lakhs against Rs 84 lakhs, taxation claiming Rs 90 lakhs. Sales have dropped to Rs 16.74 crores from Rs 17.34 crores for the corresponding period of 1969-70. The net sales after excise duty have amounted to Rs 7.07 crores against Rs 7.72 crores. The decline in sales is a sequel to interruptions in production during the first quarter, but the management hopes that the short-fall will be made up in the second half of the year.

AMERICAN EXPRESS

The Board of Directors of American Express Company recently announced its fourth common stock dividend in three years. Payable on April 1, the dividend increase brought the quarterly rate to 35 cents per share as against 30 cents paid over the past four quarters. American Express Company has paid dividends on its common stock for 102 consecutive years. Mr Howard L. Clark, chairman and chief executive officer, announced recently that final results for the year 1970 showed that consolidated net income rose to a record $85.2 million against $74.5 million earned in 1969. Total consolidated revenues increased to $1.31 billion from $1.17 billion while total consolidated assets rose to $4.66 billion at year-end compared with $4.15 billion in 1969.

HINDUSTAN LEVER

Hindustan Lever Ltd has been asked by the government to consider investing in a fertiliser project and in particular to participate in a joint sector venture in Punjab in partnership with the Punjab State Industrial Development Corporation to whom a letter of intent will be issued shortly. The feasibility study by the Mitsui Toatsu Chemical Company of Japan and a market survey by the FACT engineering and development organisation revealed that prima facie such a project could be viable. The company is at present engaged in discussion with the PSIDC and the central government in this regard. The chairman of the company stated recently that after the gestation period, the project is expected to provide a statisfactory return on its investment. Meanwhile, for maintaining the viability of the company, it is discussing with the government a number of other projects which will seek growth conforming to the government's social and economic objectives in regard to the development of backward areas. The company has submitted a proposal to build a factory in a backward area which is well placed in regard to supplies of non-traditional oils such as rice-bran, sal and neem. The factory will convert these and other oils into a semi-processed soap and extract a by-product glycerine. This semi-processed material will then be sent to a number of small units for further processing.

BIHAR ALLOY STEELS

With the issuance of the prospectus of of Bihar Alloy Steels Ltd, the directors have been advised that there would be some tax benefits to the shareholders of the company. A portion of the company's profits would be exempt from tax on account of allowance of development rebate at the rate of 25 per cent on the cost of new plant and machinery installed. The company will also be allowed a reduction from profits and the gains of an amount equal to eight per cent while computing the total income of the company. The company will also be eligible for deduction from its profits and gain at the rate of six per cent on the capital employed in the new industrial undertakings for the first five years of the company's operation and if there was any deficiency in the profits of any year in relation to the amount of six per cent of the capital employed then such an unabsorbed deficiency could be carried forward for succeeding years up to the eighth year of the start of production. Members of the company that are themselves companies would be entitled to exemption from surtax on dividends received by them from the company as also to the benefit of a deduction of 60 per cent (80 per cent in the case of foreign companies) of the dividend received by them from the company.

ASSOCIATED BATTERY

Associated Battery Makers (Eastern) Limited has made good progress in sales and profits during the first six months of the current year. The demand for the company's products is substantial, including those for export and the directors foresee no difficulty in obtaining necessary raw materials. They hope that this pattern will continue for the remainder of the year. It is the board's intention to consider at their next meeting the payment of an

interim dividend as was done last year.

TATA CHEMICALS

For the nine months ended March 31, 1971, the value of sales (inclusive of excise duty) of all products of Tata Chemicals Ltd was Rs 859.72 lakhs exceeding the turnover for the corresponding period of the previous year by Rs 8.21 lakhs. Among the company's major products, the output of Soda Ash during the nine months at 155,304 tonnes was higher by 1,911 tonnes over the corresponding period of last year.

ENFIELD

Enfield India Limited has made considerable progress in 1970 so that sales for motor cycles and agro-engines were recorded at Rs 641.19 lakhs against Rs 583.50 lakhs in 1969. There was an increase in the cost of raw materials and components and increase in wages. The net profit, before depreciation, however, increased to Rs 40.40 lakhs from Rs 35.69 lakhs as a result of increased sales. The directors have maintained the equity dividend at 10 per cent. This has been done with a view to ploughing back out of current earnings a fairly large amount for meeting part of heavy capital expenditure that will have to be incurred on the expansion schemes. The depreciation provision has been placed at Rs 20.27 lakhs while the development rebate reserve provision was Rs 6.10 lakhs. After making adjustments and writing back from development rebate reserve a sum of Rs 69,847, Rs nine lakhs were transferred to general reserve. As before there was no liability towards taxation this year also. The proposed dividend would absorb Rs 7.30 lakhs. It was proposed to expand the capacity to 30,000 units of motorcycles from the present licensed capacity of 12,800 units annually. Arrangements were being made to raise the capacity to 16,000 units, as every producer was allowed to expand production additional to the extent of 25 per cent of the licensed capacity.

DIGVIJAY CEMENT

The directors of Shree Digvijay Cement Company Ltd have proposed to raise equity dividend from 9 to 11 per cent for the year 1970. The production of cement has been higher at 738,000 tonnes during the year compared to 676,000 tonnes in 1969. The output of asbestos cement products was however 29,976 tonnes against 34,537 tonnes. Net sales of cement amounted to Rs 9.36 crores and of asbestos products Rs 2.80 crores. During 1970 the company exported 84,024 tonnes of cement which was about 20 per cent more than in 1969. In the current year also the company exported 44,447 tonnes up to May 15. The working during the year resulted in a higher gross profit of Rs 157.21 lakhs compared to Rs 130.22 lakhs in 1969. After providing Rs 56.13 lakhs for depreciation, Rs 3.50 lakhs for development rebate reserve and Rs 38.70 lakhs for taxation, the net profit was Rs 58.87 lakhs against Rs 55.71 lakhs. Credit was taken for Rs 7.14 lakhs for tax credit certificates. General Reserve received Rs 41 lakhs and debentures redemption reserve Rs 25 lakhs. Dividend was to be paid from general reserve. The set-back in the asbestos products division was attributed to the production loss caused by the employees' strike for some time during 1970 at Ahmedabad.

INDIAN EXPLOSIVES

Indian Explosives Ltd, in the first half of the current year (October 1970 to March 1971) registered sales to the extent of Rs 18.61 crores. Sales of explosives and accessories have amounted Rs. 5.69 crores and of fertilisers Rs 11.92 crores. The estimated trading profit for the period was Rs 3.77 crores. After providing Rs 1.20 crores for interest it was Rs 2.57 crores. After transferring Rs 10 lakhs from the development rebate reserve, the estimated surplus was Rs 2.67 crores. With the demand for explosives and accessories continuing to be higher than production, sales and income for the half-year have been satisfactory despite increasing cost of raw materials. The performance of the manufacturing plant and marketing department has been very satisfactory during the period. The board has declared an interim dividend of 75 paise per share. Series 'A' equity shares are entitled for this dividend from this year.

BYFORD

Byford Private Limited was issued a letter of intent on November 12, 1970, for setting up a new industrial undertaking at Mohali (Near Chandigarh), Punjab state, for the manufacture of Japanese tractor "Shibaura" 37 HP, with a capacity of 6,000 per annum, in collaboration with Messrs Ishikawajima-Harima Heavy Industries Co, Ltd, Tokyo, Japan.

ELCON

Elcon Engineering Company Ltd has achieved satisfactory working results for the financial year ended December 31, 1970. The turnover has improved for the year and has crossed 3.00 crores. The gear division also contributed to the overall increase in the turnover. The gross profit of the company has increased to Rs 31.05 lakhs from Rs 30.10 lakhs in the previous year. The net profit after providing Rs 14.34 lakhs (previous year Rs 14.50 lakhs) for depreciation and Rs 1.50 lakhs (previous year Rs 3.59 lakhs) for statutory development rebate reserve, was higher at Rs 15.21 lakhs (previous year Rs 12.01 lakhs). In view of the good working results, the directors have stepped up equity dividend to 9 per cent from 6 per cent. The tax provision has been enhanced to Rs 8.63 lakhs as against Rs 6.85 lakhs previous year.

UNIT TRUST OF INDIA

The Unit Trust of India received 2,570 new applications and sold against them units worth Rs 1.22 crores during the third quarter of its current accounting year from January 1 to March 31, 1971. The repurchase of units during the same period amounted to over Rs 89 lakhs. The corresponding figures for the same quarter of last year were Rs 2.05 crores and Rs 43 lakhs, respectively. Under the Children's Gift Plan which was introduced from July 1, 1970, units of the face value of over the Rs 51.84 lakhs under 2,254 applications were sold during three quarters July 1, 1970, to March 31, 1971. The total number of unit holders registered with the Trust as on March 31, 1971 was 366,121, the total amount outstanding with the Trust being over Rs 91.06 crores.

CHAIRMAN'S STATEMENT

THE ANDHRA BANK LIMITED

The following are extracts from the Statement of the Chairman Mr. K. Gopal Rao at the 47th Annual General Meeting of the Bank on 24th May, 1971.

General Economic Outlook:

The return to power of Prime Minister Smt. Indira Gandhi and her party with a clear mandate of the people ensures for the country in the years to come a measure of political stability which is so vital for sustained economic growth. The year under review has been one of political and economic uncertainty. On the farm front, however, the country has achieved what appears to be a break-through towards self-sufficiency in food. Three successive good years of monsoon should not, however, make us forget that timely and adequate rainfall is still a very important factor which determines the fate of the farmer's efforts. Rice production is not upto target. Our cash crops are still to catch up with the "green revolution" in food crops. This can pose a serious problem in the years to come, particularly in the matter of production of cotton and oil seeds.

The growth in industrial production was very sluggish. The increase in our exports at 4% fell short of the target figure of 7%. The prices of essential commodities continued to rise. The increase in wages for the organised labour without a corresponding increase in production can only be expected to further accentuate the wage-price spiral for the very large unorganised sector of wage earners in this country.

The budget presented by the newly elected Central Government is only an interim one. There are, however, indications in the interim budget of the need for "deepening and widening" the resources position for the Government to be able to implement the Plan and the various social welfare measures proposed. It is to be hoped that the new tax proposals will give the necessary impetus to savings and production in all sectors of the economy. This alone can achieve stability in prices and keep inflation in check.

With a view to check inflationary pressures and to hold the price line the Reserve Bank of India raised the Bank Rate from 5% to 6% from January 9, 1971. The Reserve Bank also brought about a steep rise in the net liquidity ratio for commercial banks and it stands now at the high level of 34%.

Banks and Social Change:

The Banking industry has shown remarkable resilience in adapting itself to the fulfilment of the new social objectives set for it after the introduction of social control and nationalisation of the 14 major banks. Considering the traditions, procedures and attitudes built over generations and inherited by the banking industry, the transformation has been rapid. In our enthusiasm to help the various types of productive enterprises and the weaker sections of society the central fact that banks deal with the savings of the community can-

Mr K. Gopal Rao

not be forgotten. Even when the savings of the community are lent for the develpoment of the community it is important that advances granted should be recovered promptly according to schedule. Then alone would the savings of the community be able to serve the community over and over again.

Monetary Policy and Credit to Priority Sectors:

Encouraged by the liberal policy of busy season refinance to commercial banks during the past two years the banking industry stepped up the advances to agriculture, small scale industries and exports since the advent of social control and more particularly after the nationalisation of the 14 major banks. Considerable progress was achieved both in the volume of credit extended to these sectors and in the number of borrowers assisted.

With inadequate growth of per-capita income and rising prices, growth of deposits slowed down on the one hand. On the other hand banks were required to finance, in addition to the traditional sectors, the priority sectors where, even to estimate the extent of finances required and therefore to do any systematic credit-planning was difficult. The inevitable result was a sizeable increase of commercial bank borrowings from the Reserve Bank, some of it at high penal rates. Banks have during this busy season experienced acute tightness of funds which has resulted in inter-bank call rate rising to the record level of 13½%. The situation has started coming back to normal with the call rate quoting 6%.

Deposit Mobilisation:

The Reserve Bank of India rightly wants that commercial banks should rely increasingly on deposit mobilisation by themselves to finance the various sectors, including the priority sectors and not rely on the refinance facilities made available. Commercial banks have opened a large number of branches in 1970 with the intention of taking banking into remote rural areas and mop up savings therefrom. This, together with the numerous schemes for deposit mobilisation introduced by banks, have succeeded in tapping some new sources of deposits. By now it is clear that in most rural areas the branch of a bank has to grant advances first before it can expect deposits to flow in. The opening of a large number of rural branches must, therefore, mean diversion of some credit from urban to rural areas.

Although agricultural production in Coastal Andhra is very substantial, paradoxically enough, the per capita deposit in this area is very low when compared to similar areas in the country. From available information it would appear that most rural savings are used for private lending at extremely attractive rates of interest ranging upto 25 to 30% without attracting the eye of the tax collectors and do not, therefore, find their way into banks. There is thus a very large unorganised money market in the rural areas which does not lend itself to normal planning and discipline. This perhaps is an important explanation for the slow growth of deposits in rural areas. Even so, there are indications that in areas where banks have

opened branches the influence of the local money lender has declined to some extent.

It may be quite some time before the total credit needs of the rural areas can even be mapped and very much longer before a sizeable portion of these needs are met by the banking sector, when alone the rural savings may be funnelled into it.

Branch Expansion:

With the social objective of spreading banking habit to rural and semi-urban areas, all banks in the country, and the Andhra Bank along with them, took up branch expansion as a challenge. Between June 30, 1968 and today, the number of branches of our Bank has almost doubled. Out of the 223 branches nearly 200 are located in Andhra Pradesh itself. The strong bias in favour of rural and semi-urban areas for opening branches will be evident from the fact that out of a total of 223 branches, as many as 159 are situated in rural and semi-urban areas and at 68 of them we are the only Bank functioning.

An Innovation:

An important innovation in the Bank last year is the starting for the first time in the country, of the system of cluster or satellite or market branches in Andhra Pradesh. Banking facilities are as essential to the rural folk as postal services, electric supply, roads, transport, etc. But banks could not uptill now reach the innermost corners of the country because the present set-up of the banking structure, the State and Central labour legislation, awards, etc., make such rural offices anything but viable. And uneconomic branches cannot be long maintained. The innovation of Cluster branches introduced in this Bank for the first time and now being followed by others may be the answer.

Restricted banking service which is sufficient for the villagers' needs is provided to the village during two days in a week for a limited number of hours. On the other four working days in the week the villagers can deal with the parent office situated in the market town a few miles away. In this manner the same staff can serve a group of 8 or 9 villages. If experience shows that the banking potential in a particular village justifies the opening of a regular full time office the cluster branch in that village is upgraded, and it functions there throughout the week. In its place another village is added to the cluster. In this way the Bank can go on expanding and extending its services to a number of villages. With a few necessary adjustments this system bids fair to revolutionise banking in India.

It should be possible for rural banks to provide seasonal and part-time employment to local educated youth and thereby help solve to some extent the problem of unemployment and the question of viability of rural branches. With rural branches becoming viable, there will be an incentive to open more and more of them. Government can take the initiative and make this possible.

The youth of the country must be trained in the banking habit. With this purpose in view, we are opening branches in educational institutions. Such branches have been already opened at Bhimavaram, Kakinada, Warangal, Machilipatnam and Guntur and in the vicinity of Sri Venkateswara University, Tirupati. The Bank has instituted medals for the best students and merit scholarships, besides providing a book-bank in one of the Universities.

Andhras love pilgrimages. The Bank has opened branches at Tirumala, opposite to the temple of Lord Venkateswara, at Dwaraka Tirumala, Simhachalam, Srisailam and Bhadrachalam. A branch will be opened at Sri Kalahasti also shortly. I am happy to say that our cutomers have appreciated the service which these branches are rendering.

Role of Small Banks:

The Prime Minister very recently has observed that banks in the private sector have a role to play as long as a private sector exists. Private banks are already working in accordance with the principles of social control and almost on the lines of the nationalised banks. In particular regional banks like ours have a useful role to play. I strongly feel and urge that no discrimination be made against non-nationalised banks.

Bank's Working:

The Bank's working during the year continued to be satisfactory. Our deposits, advances and profits have shown an overall improvement, in spite of a steep rise in our establishment expenses by reason of a revision of the pay scales of all cadres of our staff—Award staff as well as officers. On account of the improved working results it has been possible to recommend a dividend of 7 per cent as against 6 per cent for the preceding year.

Deposits:

The deposits of the Bank increased from Rs. 52.31 crores to Rs. 65.05 crores during the year—an increase of 24.3% as against an average of 16.38% for the banking system as a whole. Equally significant is the rise in the number of deposit accounts. The following table speaks for itself:

Year	No. of Depositors	Amount (Rs in crores)
1968	273,000	40.90
1969	332,000	52.31
1970	4,18,000	65 05

Advances:

The Bank's advances increased from Rs. 35.45 crores to Rs. 46 27 crores, representing an increase of 30.52% Advances to the priority sector at Rs 18.64 crores amounted to 40% of the total advances. Of this, agriculture accounted for Rs. 9.85 of the total advances. The number of farmers financed was 65,000, an improvement of 34,000 over the preceding year. The amount advanced per farmer was roughly Rs. 1,500/-, perhaps the lowest among the banks operating in Andhra Pradesh. This shows that the Bank has been able to reach a large number of small farmers. The following is an analysis of the Bank's advances to agriculture.

(Rs. in crores)

	Limits sanctioned	Outstanding
31-12-1968	2 25	1.45
31-12-1969	9.93	6.92
31-12-1970	13.38	9.85

The Bank also financed Primary Agricultural Credit Societies along with the nationalised banks in the districts of Hyderabad, Warrangal, Khammam, Karimnagar and Srikakulam. The Bank would be participating actively in the Small Farmers' Development Agency Scheme in Srikakulam district and in the World Bank Scheme for minor irrigation and supply of agricultural machinery in Andhra Pradesh.

Lead Bank Role:

The Bank has been given the Lead Bank role in Ganjam, Srikakulam, East and West Godavari districts, and in Guntur and Krishna districts jointly with the Indian Bank. Our survey team has conducted intensive and impressionistic surveys to identify growth centres in these districts. Reports on West Godavari and Srikakulam districts have been finalised. At a meeting convened by us of banks interested in West Godavari district centres for growth identified during the survey were allocated so that they might develop without undue competition inter se.

Small Scale Industries:

Our advances to small scale industries increased from Rs. 3.69 crores to Rs.

7.01 crores. The number of units assisted increased from 628 to 950. It is the policy of the Bank, and it has been encouraging technically qualified people wanting to set up small scale industries. We have been giving support to the various schemes sponsored by the Andhra Pradesh Small Scale Industrial Development Corporation for promoting small scale industries in this region. The automatic Credit Guarantee Scheme introduced by the Government of India and being administered by Reserve Bank of India has encouraged banks to finance small scale industries in a large way.

The Credit Guarantee Corporation which has been recently formed will guarantee the advances of commercial banks to farmers, self-employed persons, professionals, retail traders and such categories. The percentage of risk guaranteed by the Corporation is fixed subject to a maximum limit stipulated for each category of advance. The limit of Rs. 1,000/- fixed for a crop loan to a farmer is too low and may be raised at least to Rs 2,500/-. This scheme will certainly afford greater protection for bank advances to weaker sections of the society and would be an incentive to banks to assist more freely these hitherto neglected sectors.

Investments:

Our investments have increased from Rs. 15.56 crores to Rs. 20 09 crores, the percentage of increase being 29.1. We invested Rs. 1.82 crores in the debentures of various land mortgage banks during the year. We continued to lend particular support to the debenture issues of the Andhra Pradesh Co-op. Central Land Mortgage Bank. We have been actively supporting in a large way the bond issues of the State Government, the State Electricity Board, and bodies like the State Financial Corporation. The Bank is following this policy in every State in which it is established. As an All India Institution with a strong regional bias it is the aim and endeavour of the Bank to play an active role in the economic development of Andhra Pradesh, despite certain constraints under which it functions as a non-nationalised Bank

Training of Staff:

Banking is essentially a service industry. Its growth and success in serving the social purpose would almost entirely depend on the zeal, devotion and efficiency with which bankmen serve the public. The concept of service should permeate the rank and file, officers and workmen alike

A major deterrent to rapid expansion of banking, and re-orienting standards and concepts of lending, is the lack of adequate number of trained staff at various levels. To meet this difficulty, banks which have been suddenly called upon to shoulder heavy responsibilities and expand on an enormous scale, have tried to extend the existing training institutions and open new ones. The National Institute of Bank Management (NIBM) established to assist banks in their new responsibilities has contributed to a great extent to the training of bank personnel. The seminars and workshops and management courses organised by them for various levels of bank officers are proving useful. I am glad to say that we have been making full use of the expertise available in NIBM in the selection of personnel, for manpower planning, for reorganisation of the administrative set-up of the Bank and for drawing up of the profile of a successful branch to assist us in identifying prospective centres for locating new branches. I express my sincere thanks to the NIBM for all the assistance it has been rendering to us.

During the year under review, we continued to depute our officers to the Bankers' Training College, Bombay. Officers were also deputed to other institutions like the Administrative Staff College of India and Institutes of Management. A batch of officers was trained in small scale industries finance under a special programme organised for us at the SIET Hyderabad, by the NIBM. Our Bank had the opportunity of organising Agricultural Workshops under the auspices of the NIBM for our officers as well as for the officers of other banks.

Staff Relations:

It will be agreed that for the Bank to prosper as a competent instrument for public service, cordial relations between the mangement and the staff are essential. In spite of the best efforts of the Management to avert it there was an agitation for 3½ months by the recognised staff union.

Our staff relations have returned to normalcy by the end of October 1970 and I am happy to say that they continue to be cordial. I hope and wish that the same atmosphere continues undisturbed in future also.

The foregoing will show that during a period of revoluntionary changes in the banking industry, your Bank is striving its best to move with the times. The success achieved so far has been due, to a great extent, to the ready and willing guidance made available by the Reserve Bank of India. I render my grateful thanks to this great institution. I also thank the State Government, the Chief Minister and his colleagues and officers at Hyderabad and in the districts for the co-operation they have been extending to us. Their assistance in the matter of our agricultural advances and small industries has been valuable.

I express my personal thanks to my colleagues on the Board who place their time and experience ungrudgingly at the disposal of the Bank and myself in the discharge of my duties. I thank Mr. M.V.Subbarao, our General Manager and all the officers and members of staff at the Head Office and branches for their devoted service.

Note: This does not purport to be a summary of the proceedings of the Annual General Meeting of the Bank.

RECORDS AND STATISTICS

Tariff Concessions Under GSP

THE ATTAINMENT of self-reliant economy by India will depend to a very large extent on the success of the country on the export front. Enormous efforts are being made by the country in the development of export effort over a wide range of products and commodities for reaching out to the vast area of world markets. The government as well as the industry and trade are continuously exerting to overcome the handicaps and problems in enlarging the production base and stepping up the marketing effort.

There is no doubt that the success of the endeavours of the country will depend considerably on the existence of favourable conditions in the world markets. Hitherto, the products and manufactures of developing countries have continued to suffer the handicaps of tariff barriers in the developed countries. Under the auspices of UNCTAD the adoption of the system of generalised preferences opens up new vistas and opportunities for the developing countries by the reduction of tariffs on a non-discriminatory and non-reciprocal basis by the developed countries.

Opportunity and Challenge

Under the Generalised System of Preferences (GSP) the manufactures and semi-manufactures from the developing countries will be admitted duty free or at concessional rates by the developed countries. This will undoubtedly go a long way to improve the competitive position of the developing countries. The GSP, therefore, presents a challenge as well as an opportunity to the exporters of developing countries to expand and diversify their export markets.

The scheme has already been ratified by the European Economic Community and will come into effect in the countries of EEC from July 1971. Other developed market economies are expected to follow suit, latest by July 1972.

It is of fundamental importance that the manufacturers and exporters in India should be urgently equipped with complete knowledge of the various types of offers and tariff concessions made under the GSP. This information will enable the government and the industry and trade to start devising measures for utilising the opportunities which will be opened up in respective developed countries in relation to individual products and commodities. Urgent consideration will need to be given by them to the problems of expansion of production base and further development of the effort to reach out to respective world markets.

Analysis of Data

Recognising the importance of this matter, the Indian Institute of Foreign Trade undertook the urgent task of analysing and collecting complete data of the offers made by individual countries and regional groupings of developed countries in respect of the tariff preferences which will become applicable under GSP in relation to individual products and commodities. For the immediate benefit of industry and trade, the Indian Institute of Foreign Trade has just released a publication entitled *New Opportunities for India's Exports* which gives detailed tariff tables relating to individual countries/goupings in respect of the commodities and products. The information contained in this publication is based on a part of a very detailed study which is being conducted by the Indian Institute of Foreign Trade, on the sponsorship of the United States Agency for International Development and with the approval of the Government of India, to assess the export expansion possibilities through tariff preferences.. A brief summary giving basic information on Generalised System of Preferences (GSP) is given below:

The pace of economic growth of developing countries is greatly dependent on their capacity to augment the foreign exchange resources. Presently, the growth of their export earnings is lagging far behind the growth of world trade and in relation to their growing demand for developmental imports. Their share in the expanding world trade has declined from 25 per cent in the early years in the Decade of Sixties to 18 per cent in 1969-70. The decline in the share of developing countries in the world trade is mainly attributable to their dependence on a few primary commodities in which the world trade is continuously shrinking. The world demand for these commodities is declining primarily as a result of rapid growth of synthetic substitutes and technological advances which have reduced the per unit input requirements of raw materials.

In contrast to the decline in the trade of primary commodities, there has been uninterrupted growth of world trade in manufactured items, which originate largely from the developed countries. The exports of manufactures and semi-manufactures have registered an annual rate of growth as high as 20 per cent, particularly during the last three years. The share of developing countries in this dynamic sector of world trade is comparatively small, and the benefit of expansion of exports of manufactures and semi-manufactures goes primarily to the developed countries. It is of fundamental importance to the developing countries that their share in the exports of manufactured goods should increase and that these should find accessibility in the developed country markets.

Imposition of Tariffs

One of the major obstacles to the diversification and expansion of the exports of manufactures from developing countries has been the imposition of high rates of tariffs on imports of manufactures from developing countries in the developed countries. The average tariff applicable in developed countries to the manufactures and semi-manufactures from developing countries is about 50 per cent higher than the average tariff applied to their total imports from all sources. The tariff structure of developed countries has been biased against the products of export interest to developing countries in as much as the rates of duty, in general, rise according to the degree of processing of raw materials used. Such escalation provides a very high degree of protection to the processing industries in the developed countries. The graduated tariff structure in the developed countries restricts the ability of developing countries to establish export oriented processing industries in respect of their products. The existence of preferential arrangements among the members of regional groupings of developed countries has resulted in an increase of intra-trade which is free of duty or subject to negligible rates of duty. Practically, one-third of the intra-regional trade is carried out on this basis. This has placed the developed countries at an additional advantage, which is again detrimental to the interests of the developing countries.

The developing countries have been for long greatly concerned about the handicaps imposed by the tariff barriers of the developed countries. In an endeavour to reduce the tariff barriers to the world trade in general, six successive rounds of tariff negotiations have been conducted under the GATT since 1947. These negotiations undoubtedly resulted in a progressive

reduction in tariffs. The Kennedy Round of Tariff Negotiations, which has been the last and the most elaborate negotiation under the GATT, resulted in a major lowering of tariff barriers, amounting to an average cut of approximately 36 per cent on industrial products. Significantly enough, however, products of interest to developing countries did not receive adequate attention under these various tariff negotiations. It continued to be feared, thus, that unless some special measures were taken in relation to the international trade policy, the tariff reductions brought about under these negotiations would contribute to further decline in the share of developing countries in the world trade. This matter continued to agitate the developing countries and it was felt that ways and means must be devised for providing easier access in the developed countries to the products and manufactures of developing countries.

The great anxiety and concern of developing countries in the matter of tariff barriers of the developed countries eventually found shape in the emergence of the principle of Generalised System of Preferences which had its origin in the UNCTAD-I. This proposal was based on the new principle of non-discriminatory and non-reciprocal preferences for exports of developing countries. In UNCTAD-I, however, the scheme could not be adopted for want of positive support from the developed countries. Amidst the atmosphere generated in this regard, Australia, a developed country, came forward in 1965 to grant unilateral tariff concessions for select products from developing countries.

Generalised System of Preferences

During the years 1964 to 1968, considerable amount of groundwork was done by the developing countries to make the developed countries accept this new principle of international economic relations. India was among those developing countries who played a leading role in this endeavour. As a result of the efforts of these developing countries, a Resolution on Generalised System of Preferences was eventually adopted at the UNCTAD-II, 1968. The main objectives of GSP as envisaged under the Resolution were: (i) to increase export earnings of developing countries; (ii) to promote their industrialisation; and (iii) to accelerate the rate of their economic growth. A Special Committee on Preferences was set up to finalise the details of the Scheme

In November 1969, the provisional offers of the developed market economy countries were submitted to UNCTAD. They were examined in April 1970 at a session of the Special Committee on Preferences and were finally adopted by the Committee as well as the Trade and Development Board in October 1970. The prospective preference giving countries, (EEC countries, Japan, USA, UK, Canada, Ireland, New Zealand, Norway, Sweden, Denmark, Finland, Austria and Switzerland) agreed to seek as rapidly as possible the necessary legislative or other sanctions to implement the preferential arrangements. While agreeing to the introduction of the GSP, the developed countries reserved the right to: (a) exclude certain developing countries from the scheme; (b) determine the product coverage; (c) determine the rules of origin; (d) determine the duration of the schemes; (e) reduce preferential margins by lowering or removing tariffs on Most Favoured Nation basis; (f) determine the amount of the tariff cut affecting the preferences; and (g) provide a safeguard mechanism in escape clauses to be incorporated in the scheme.

Main Features of GSP

The principal characteristics of the Generalised System of Preferences are specified below in terms of its legal status, product coverage, depth of tariff cuts, beneficiaries, safeguard mechanism, institutional arrangements and rules of origin.

Tariff preferences under GSP are initially for a temporary period of 10 years, any further extension being subject to a comprehensive review of the working of the Scheme. It does not constitute any binding commitment by the donor countries and, in particular, it does not in any way prevent their subsequent withdrawal in whole or in part. This is envisaged specially in view of the need for protecting the domestic industry from a possible threat of material injury resulting from heavy influx of imports from developing countries conssequent on tariff concessions. Their grant is also conditional upon necessary waiver in respect of existing international obligations, particularly those laid down in GATT. Further tariff reductions may also be effected in favour of all countries on MFN basis.

The donor countries' offers apply to all the industrial semi-manufactures and manufactures with the exception of the sensitive items specified in their negative lists, falling in chapters 25-99 of the Brussels Tariff Nomenclature (BTN). Since GSP was intended to cover the industrial manufactures and semi-manufactures and not the primary products falling in chapters 1-24, selective approach has been adopted to accord preferences to the items in the latter category which are of export interest to developing countries. Such selected items have been included in their positive lists of offers.

In the case of USA, three major groups of manufactured commodities falling under BTN chapters 25-99 are excluded. They are textiles, footwear and petroleum products. In addition, a number of commodities falling under BTN chapters 25-99 are treated as primary products and hence excluded from the offer. In this group, offer of tariff concession has been limited to selected items only.

In the EEC final offer, industrial products eligible for preference under GSP do not include certain primary products as well as six processed farm products, all of which fall under BTN chapters 25-99. In addition to this, products covering the European Coal and Steel Community Arrangement and which are subject to duties in the Community, are also excluded from the GSP offer. UK has excluded all textiles other than carpets. Austria has excluded cotton textiles only and the Nordic countries have indicated that they will have to exclude some sensitive items. Japan has not excluded textiles from the offer list, but has offered only 50 per cent reduction for certain textile items. Shoes and footwear are other important items of export interest to India which have been excluded in the offers of Nordic countries and Ireleand and are likely to be excluded in the offer of Canada. The revenue duty-bearing items have been excluded in EEC, Japan, the UK and Switzerland. Austria's exception list covers a few products subject to variable and equalisation charges. Canada's exception list also includes products the export of which is, at the time of introduction of GSP, under voluntary restraint by countries exporting these products. It also includes the products in respect of which such restraint might be requested by Canada from time to time while the scheme is in effect. The third category of products excluded from GSP in Canada are those for which preferential margins are bound against reduction unless the countries concerned agree to waive their contractual rights.

Depth of Tariff Cut

For items in Chapters 25-99, dutyfree imports have been envisaged by EEC, Nordic countries, the UK and the USA. In principle, Japan too envisages duty-free imports under GSP but in the case of selected products such as some textiles and leather, 50 per cent tariff reduction of the post-Kennedy Round MFN rate has been proposed to be applied.

Other donor countries will introduce linear tariff reductions falling short

of duty-free entry. Ireland envisages reducing the MFN rate of duty by 33.3. Canada proposes as depth of cut either (a) 33.3 per cent of the post-Kennedy Round MFN rate or (b) the British preferential tariff of Canada, whichever is lower. Austria and Switzerland envisage linear reductions in substantive rates. New Zealand will introduce variable preferential duties, the level of which would in general be the same as that applied under the British preferential arrangement to all countries of the Commonwealth preferential area. The linear reduction in the case of Switzerland is progressive. For certain items they will be below that level, and for certain other items they will be between the MFN duty and the British preferential rate.

In the case of items included in the positive list in chapters 1-24 of the BTN, the Nordic countries and the USA will grant duty-free entry. The UK will grant duty-free entry to some products and lower reductions to others. In the case of other donors, variable tariff reductions have been offered.

Ireland is the solitary exception in not offering any tariff concession on agricultural products falling within BTN chapter 1-24.

Ceilings of Imports

In the case of EEC, annual ceilings will normally be calculated according to the following formula: c.i.f. import value from beneficiary countries in 1968 will form basic quota. In addition, 5 per cent of c.i.f. import value from third countries will be the supplementary quota. In case of a particular sensitivity of a product, the basis of the calculation of ceilings may be deviated from the above principles. In order to limit the preferences granted to the more competitive developing country or countries and to ensure a substantial share for the less competitive sources, preferential imports of a given product from any single developing country will be subject to a sub-ceiling fixed according to the product group.

In the case of Japan, the ceiling will be set for each product on the basis of the value or quantity of imports from beneficiaries in a reference year (basic quota)+10 per cent of the value or quantity of imports from sources other than beneficiaries in the latest year for which statistics are available (supplementary quota). Preferences will be suspended if preferential imports of particular product from a given beneficiary exceed 50 per cent of the ceiling in the course of a year. Like EEC, in Japan, the supplementary quota will be revised every year but it will not be less than that of the preceding year.

Austria will allow preferential treatment to imports from all beneficiaries so long as they do not exceed, by more than 25 per cent, their level of imports during a reference period based on the latest statistical material available. In order to allow less competitive beneficiary countries to participate equally in the preferential scheme, the imports of products from any one beneficiary country will not be allowed to exceed by more than 10 per cent of the level of imports during reference period based on the latest statistical material available.

Beneficiaries Under GSP

All the developing countries, territories or areas will get the benefit of tariff preferences under the GSP. However, under the formula of self-election recommended by the OECD Special Group on Trade with Developing Countries, the donor countries have the right to elect the countries to which they will grant preferences under this scheme. It is expected that only those who have bona fide grounds for claiming developing status will be considered. There is also an understanding among the major donor countries that in granting preferences they will not pick and choose between the claimants. Individual developed countries might, however, decline to accord special tariff treatment to a particular country on grounds (other than competitive conditions) which they hold to be compelling.

It has been agreed to set up a continuing machinery within UNCTAD to deal with the questions relating to the implementation of GSP. This machinery will review the effect of GSP on exports, export earnings, industrialisation and rates of economic growth of the beneficiary countries. It will also review the effects of GSP on the process of industrialisation as well as on the volume of exports and export earnings of the least develobed among the developing countries. The question relating to measures taken by the socialist countries of eastern Europe with a view to contributing to the attainment of the objective of UNCTAD Resolution on Generalised Preferences will also be subject to review. The functions will be carried out by means of (a) annual review and analysis of the functioning of the system, (b) triennial review to assess the benefits of the system for the beneficiary countries and the possibility of improvement of the system and of its operation, and (c) a comprehensive review towards the end of the initial period of ten years to determine in the light of the objectives of the resolution whether GSP should be continued beyond that period.

Rules of Origin

In order to keep the benefits of the Generalised System of Preferences restricted to the developing countries for whom it is intended, Rules of Origin have been evolved. They have been kept simple enought to enable effective administration and sufficiently liberal in terms of criteria qualifying for preferential tariff treatment, so that the maximum number of developing countries can take advantage for their export expansion and industrial development. However, care has been taken to ensure that the developed countries do not receive the benefit of the scheme by despatching their products via a developing country where minor processing may be undertaken to fulfil the origin criteria.

Goods wholly produced or manufactured in a beneficiary developing country easily satisfy the origin criteria. It is only in the case of those items where only part of the processing has been undertaken in the developing country that the origin criteria have to be applied carefully. Two sets of criteria

have been evolved to suit the requirements of the donor countries:

1. The USA, Canada and New Zealand will adopt the value added criterion. In The USA, not more than 50 per cent of the appraised valuecould be from sources other than the exporting beneficiary country. In Canada, the percentage of value added required to qualify has not been decided but the percentage will be on factory price. In New Zealand, the goods should have not less than 50 per cent of the factory cost attributable to the beneficiary country content.

2. Other countries will base their rules of origin on the process criterion. Goods will be considered as originating in the beneficiary country if they have undergone a manufacturing process as a result of which the appropriate BTN classification number applicable to the final product is different from that applicable to the materials used in the process.

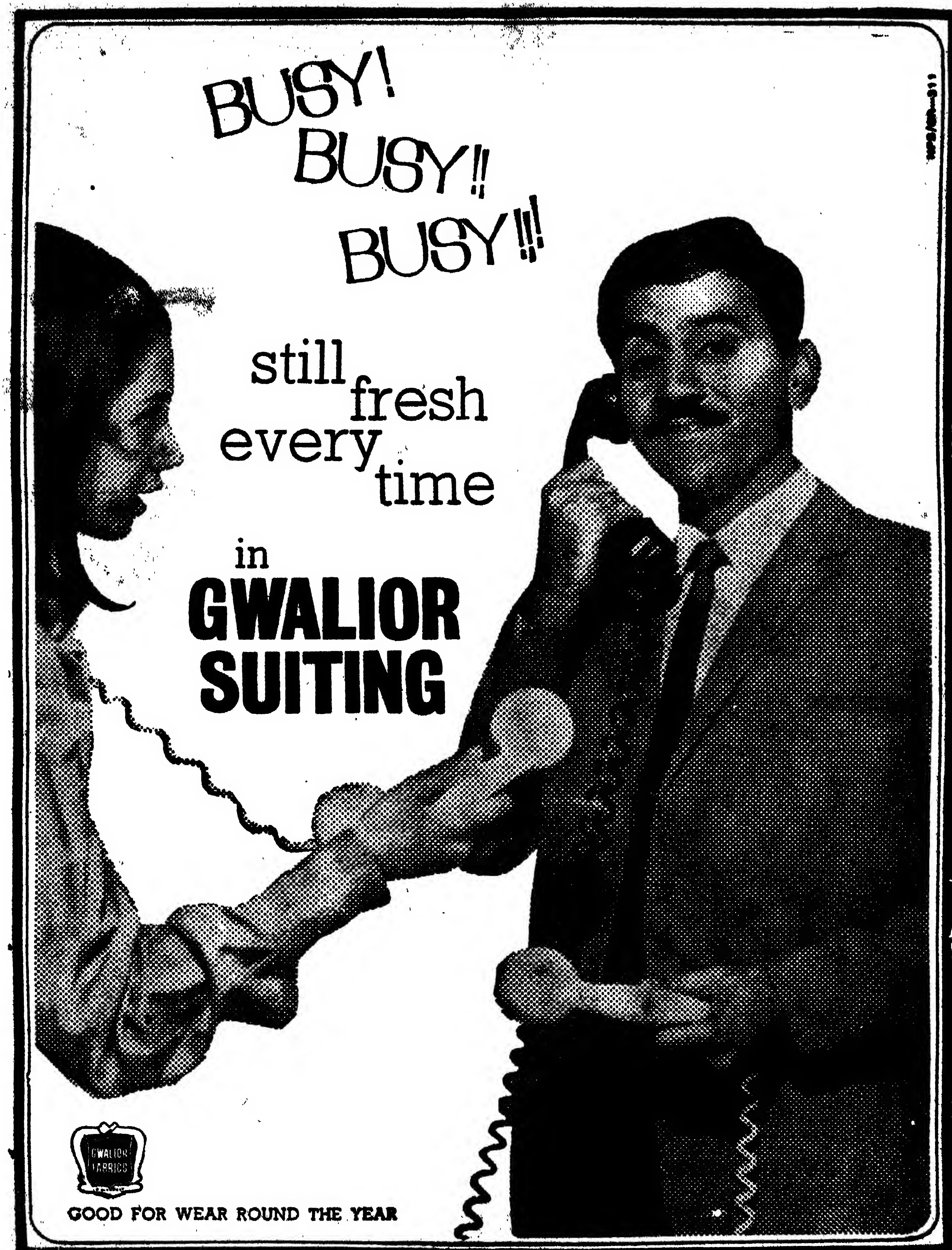
GSP and India's Exports

Unlike many previous tariff concessions, the Generalised System of Preferences is undoubtedly unique in opening up new opportunities for exports of manufactures and semi-manufactures from the developing countries to the developed countries. Basically constituting an important development in favour of the developing countries, the Scheme enables only the developing countries to enjoy the preferences as opposed to the competitors from other developed countries. Through the tariff concessions resulting from GSP, the developing countries can derive the benefit as a result of (a) trade creation effect, i.e., creation of the demand for the products of developing countries because of their relatively lower prices, and (b) trade diversification effect, i.e., diversification of the demand away from developed countries for developing countries.

It is true that the opportunities opened up under GSP are not exactly what were desired and expected by the developing countries. A number of products which are of interest to the developing countries do not find place in the offer lists. In the case of the United States, cotton textiles and footwear have been excluded from the offer. In the case of the UK and other EFTA countries some commodities of interest to developing countries have been excluded. A number of items which can be considered senstitive may not get adequate concessions under GSP. The offers of EEC and Japan are limited by the constraint that they will operate under a quota system.

To India an important outcome of GSP will be a likely adverse effect in the UK and developed Commonwealth countries vis-a-vis other non-Commonwealth developing countries. India has hitherto been enjoying tariff preferences varying from 5 to 20 per cent as against non-Commonwealth sources of supply. Arising from GSP, India will have to share this benefit with other non-Commonwealth developing countries including Brazil, Mexico, South Korea and some African countries,. This may lead to dilution of the advantages which India has hitherto been enjoying in the Commonwealth markets. The overall opportunities created by GSP will, to this extent, get circumscribed.

Despite these limiting factors, GSP undoubtedly opens up scope and opportunities to India as well as to other developing countries for export expansion in the fields of manufactures and semi-manufactures. The introduction and operation of this Scheme will constitute a challenge, and it will be for the government as well as the industry and trade of India to urgently devise measures for deriving the maximum advantage from the opportunities which will be thrown up under GSP. Production base of the goods required in the developed countries of quality which would be acceptable to them, will need to be expanded and diversified. The handicaps of inadequacy of raw materials and balancing equipment etc. will need to be effectively overcome. Simultaneously, the marketing effort for reaching out to the specific markets of developed countries will have to be stepped up. It is of paramount importance that the measures for expansion of the production base and greater effectiveness of the marketing effort come into effect on the basis of urgency, lest the opportunities opened up under GSP are missed by India and are taken away by other developing countries. India, with her enormous development of infrastructure and large industrial base, is obviously in a very advantageous position to take maximum benefit of GSP but it is important that the urgency of this matter is recognised by the government and the industry and trade for initiating and carrying through the projects which will yield the desired benefits.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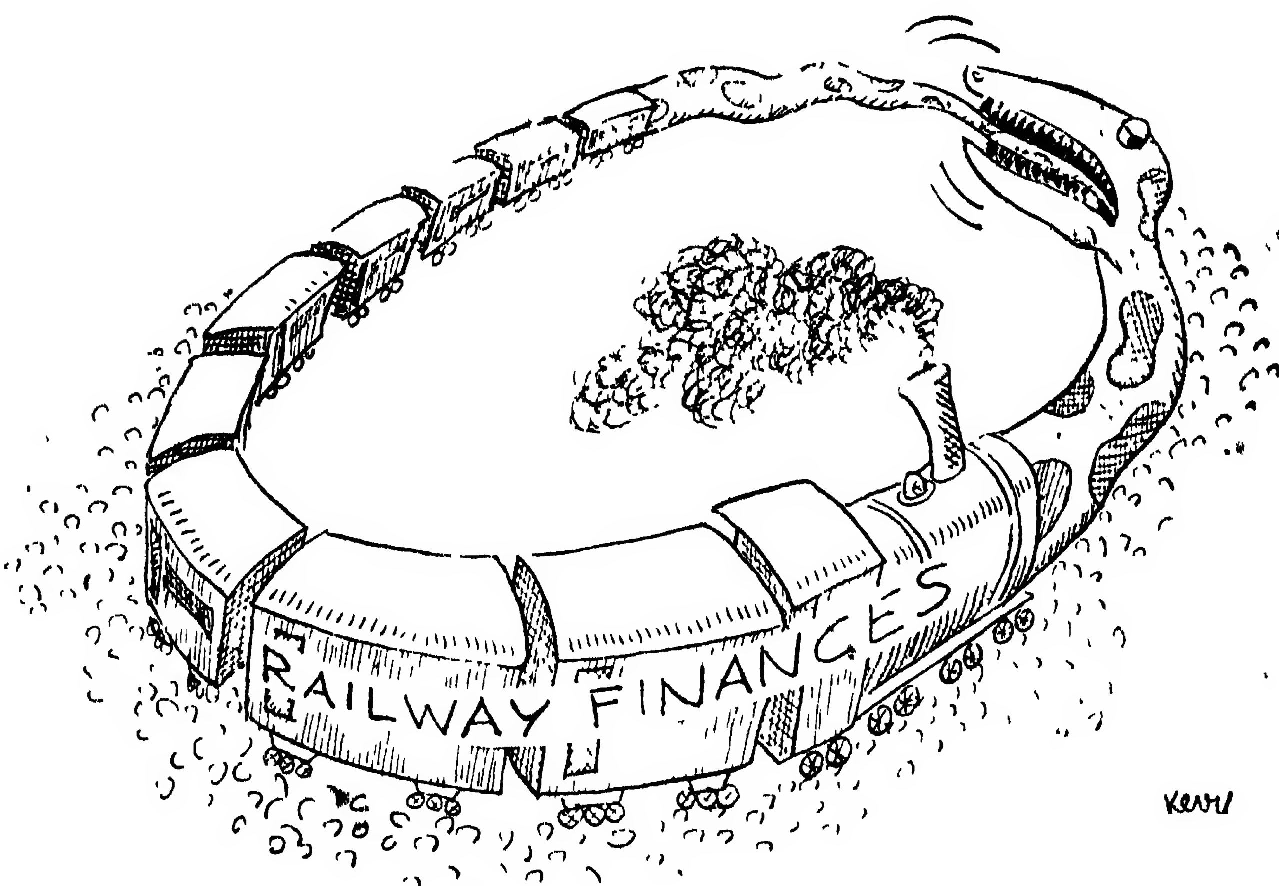

The Vicious Circle

Tower Bridge, London—just two blocks from a Bank of America branch.

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PRISONER OF SLOGANS

THANKS TO the final central budget for 1971-72, the ruling party stands fully exposed as a prisoner of its slogans. At a time when the state of the national economy clearly calls for high fiscal discipline, Mr Chavan has been compelled by political circumstances of his party's making to commit gross acts of profligacy in the raising of revenue as well as the spending of it. Predictably he has engaged in lavish window-dressing in his attempt to sell his budgetary proposals to the people as a socialist charter for the greater glory of the common man, but gullible as the public often is, it is still by no means certain that the nation will be taken in by his empty gestures.

At a time when continuous pressures on the price-line have generated a chronic condition of instability in the economy, the Finance Minister has chosen to pretend that things could be set right by a boost in the level of government spending financed by a corpus of fiscal levies which would greedily eat into savings or investment whether in the corporate sector or the personal. He has thereby shown a degree of irresponsibility the grossness of which is heightened by the fact that the growth of the industrial sector has been falling behind the targets of the fourth Plan which, by any reckoning, are unadventurous in themselves. Relying heavily on an appeal to the natural enthusiasm of the people for social welfare or social justice, he has sought to divert their attention from the basic fact that this country can escape from its poverty only by creating more wealth through more hard work. Substituting demagogy for economic statesmanship, he has put out a class-war budget in which a politically vulnerable minority has been thrown to the wolves as a circus show for the populace.

Acting on the amazing assumption that the incentives to earn, possess or enjoy wealth have nothing to do with the flow of initiative and enterprise into the economic apparatus of a community, the Finance Minister has deliberately and determinedly gone in for fouling the climate for capital, both domestic and foreign.

The argument has no doubt been advanced that only an increase in the level of public saving would enable the aggregate rate of investment in the economy to be pushed to a point where a take-off at last becomes possible. The assumption here is that the additional public revenues are raised in such a way that they represent a genuine accretion to the community's investment resources and not simply a transfer of funds from under one head of saving to another. Mr Chavan's onslaughts on personal incomes or wealth or corporate earnings certainly do not satisfy this criterion. On the contrary, the hatchet job he has done on intiative and enterprise in the non-government sector of the economy is bound to do serious damage to the country's chances of economic growth.

While the Finance Minister has openly and even indecently gloried in the fact that he has soaked the rich, he has not had the honesty to take the public into his confidence about the harsh implications of the budget proposals for the many millions of people in this country who fall outside the small circle of the affluent. He lacks clearly the courage to admit that the attack he has launched on saving and investment, where large industrial operations in the private sector are concerned, could make the community lose more in terms of employment opportunities than it may hope to gain through the amateurish or simply opportunistic make-work schemes for which his budget has made ostentatious allocations in the name of his party's grandiose undertaking to banish poverty from the land. Worse still, he has sought to hide from the public the knowledge that the across-the-board increases he has effected in customs duties on imported capital goods or raw materials cannot but be duly reflected in the cost of manufacture of consumer goods. In fact, thanks to this budget, the highly protected, non-competitive, high-cost industrial economy of the country has been encouraged and enabled to exercise overnight an intolerable tyranny over the standard of living of the middle or lower middle class in town or village.

In a special number on the budget, *Eastern Economist* will attempt next week a more detailed discussion and analysis of the attitudes, policies and proposals of this budget. Meanwhile it would emphasise once again the point that this budget is primarily a class-war budget exploiting, in the short-term political interests of the ruling party, the uninformed prejudices and passions

of an immature democracy. Having built up a vested interest in mass poverty in the country, the present government at the centre, through its Finance Minister, has effectively crippled the nation's chances of long-term growth. In fairness to Mr Chavan, however, it must be admitted that he has by no means initiated the trend towards expropriatory taxation of personal incomes or a recurring capital levy on personal wealth. On him however must rest the blame for having made himself the willing instrument of the government for carrying these trends farther than the tolerance limits of the national economy.

The State of the Economy

We reproduce here, by courtesy of All India Radio, a script by the editor of this journal for broadcast on May 26.

THE PRESENTATION by the Finance Minister of an Economic Survey to Parliament has now become established as a pre-budget practice. This exercise, apart from helping the Finance Minister to keep his budget speech short, even if not always sweet, is intended to assist the public in its appreciation of budget decisions and proposals against a factual account, provided in advance, of the immediate economic background as well as the proximate economic trends. To the hopeful among us, or even the merely expectant, the Economic Survey also seems to possess the added attraction possibly of throwing a hint or two about impending budget moves.

The Economic Survey for the year 1970-71 which Mr Y.B. Chavan presented to Parliament on Tuesday, May 25, is chiefly remarkable for bringing out vividly the fact of the current dependence of the growth of the economy on the behaviour of the agricultural sector generally and the production of foodgrains in particular. Considering that the fortunes of agriculture despite the progress of the green revolution are still very substantially influenced by the behaviour of the monsoons, it will be no exaggeration to say that the economic stability of our country continues to be a function of our successful annual national gambles on the rains. It is a solemn thought that, although the growth of the national income in the year 1970-71 has been of the order of five per cent assumed in the fourth Plan, the basic consistency of this performance remains to be tested in a year of poor rainfall.

In the circumstances, the recent statement of the Minister for Planning, that planning is to become agriculture-oriented may be received in some or perhaps many quarters with great satisfaction. There is undoubtedly a lot to be done by way of extending the green revolution as well as consolidating the ground already gained. The Economic Survey reiterates the well-known fact that most of the agricultural expansion that has taken place is related to wheat. It also gives welcome details about advances in the technology of rice production and the progress with millets. All the same there is more to be done here than the mere tying up of loose ends.

The green revolution has to be taken to traditionally depressed areas of farming such as the low-rainfall areas which do not have the safeguard of adequate man-made irrigation, tribal agriculture crippled by lack of capital and primitive technology and cultivation on the hills where erosion has ravaged the soil over the years. Again, as the Economic Survey notes, the commercial crops are yet to experience in a big way the benefits of planned research. Finally, the losses suffered recently by harvested grain in some parts of northern India as a result of unseasonal rains have brought out the point that, as the Director of the Indian Agricultural Research Institute, Dr M.S. Swaminathan puts it, post-harvest technology is lagging behind the advances in plant breeding and farming techniques.

In the circumstances, it cannot be denied that agriculture must continue to be of the highest priority to our programmes of development. All the same, some of us may well react with mixed feelings to any bland declaration that planning should be preoccupied hereafter with agriculture. While it is true that the agricultural base should be strengthened and expanded, it is no less necessary that an intense national effort should be simultaneously directed towards stimulating the industrial sector. As it is, this area of the economy has not been contributing its share to the growth of national income. On the contrary, industrial production increased only by about five per cent during the year 1970, which is a little less than the rate of growth of the national income in that year. This level of industrial production moreover, was much poorer than the rate of 7.1 per cent reached in 1969 or the rate of 6.4 per cent recorded in 1968.

Not that the industrial picture is not without its bright spots. There are indications that the investment in the small-scale sector has been gathering volume. Among large-scale industries, food processing, engineering and chemicals have on the whole shown substantial expansion. Nevertheless, the growth of industrial production has been disappointing over a wide range and in respect of many major industries. The situation here is even more unsatisfactory when the trend of new investment, which is germane to prospects of growth in the coming years, is considered. Shortfalls in the production of steel, cotton textiles and paper are some of the specific instances of the unsatisfactory performance of the industrial sector. The situation is not improved by the disorganisation of the rail transport system in eastern India, which has created a bottleneck in the transport of coal and is consequently depressing output in the collieries. The shortcomings in rail transport have also been of a more general nature and their adverse impact is being felt by many industries

Eastern Economist 25 Years Ago

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The threatened railway strike, scheduled for midnight of June 27, shows how dangerously exposed the whole economy of the country is to the application of political pressure at its most strategic point. Railwaymen worked loyally, on the existing conditions of pay and service, in the war against the enemies in law of the country. It does, therefore, appear a little strange that they should now threaten to strike during the most critical phase of the community's war against famine, specially when adjudication is offered over the whole range of their demands except retrenchment. We must, however, say that we regard the Railway Member's statement that the strike will be illegal under the Defence Regulations as dangerous, for law is not all in a modern society. To declare a strike illegal is not to render it impossible. It would be dangerous for a post war government to rely on its narrow technical rights, ignoring the radical social transformation the war has brought about. The strain the war has imposed upon and the enlightenment it has brought to low-income groups are factors which a state can ignore only at its own peril. Otherwise, too, the general up-grading of these low-income groups is probably the most desirable thing that could happen. While these general principles are unexceptionable, we are afraid we cannot support sectional pressure to secure a larger share of the community's income irrespective of any relevant consideration specially when the economy is still far from reaching any tenable level of stability.

such as cement which finds it difficult to obtain sufficient supply of coal or secure enough wagons or other movement facilities for the transport of finished products.

The Economic Survey duly notes the steps taken by the government to encourage industrial production or investment. It speaks of increased credit facilities for the small-scale sector especially after the nationalisation of the banking system and the liberalisation or simplification of industrial licensing policy or procedures. It concedes, however, that there is scope as well as need for more effort on the part of private industry as well as government for maintaining and improving the tempo of industrial growth. It pleads in particular for the public sector assuming more responsibilities as investor and entrepreneur in areas of strategic industrial production, while noting that it is equally important that the performance of the existing government enterprises is greatly improved.

Our monthly feature 'Books Briefly' will appear in the issue dated June 18, 1971.

The Economic Survey naturally attempts to bring out the implications of the role of the state in terms of what should be the broad aims which the central government may set for itself in framing the budget for the financial year 1971-72. Once it is granted that the government should enlarge its role in the engineering investment and production it follows that it must also take on more responsibilities for mobilising the financial resources needed for the purpose. The Economic Survey is positive that government should not shrink from this obligation but at the same time it carefully notes the limitations which the economic context may impose on the fiscal or other exercises the government could undertake for raising the rate of public savings i.e., the surplus of government receipts over government outgoings, which might be made available for programmes of economic development.

Given the pressures of the price line and the inflationary risks inherent in our economic situation, the Economic Survey is naturally insistent on the government opting for non-inflationary means of raising revenue rather than resorting to straight deficit financing or even drawing on such resources as bank credit or assistance from public financial institutions. At the same time, it finds itself forced to submit to the harsh reality that strictly non-inflationary financing will be but an inadequate instrument for raising the level of public savings to the needed extent. As its more or less the final word on the subject, the Survey makes the unexciting but wholly pragmatic suggestion that there could be flexibility in resource mobilisation only when the production of basic agricultural commodities and essential industrial products have increased substantially above the existing levels. The Finance Minister in other words must hold the baby as best he can.

Over the years the annual Economic Surveys have been documents widely varying in quality. This year's product deserves to be rated fairly high. It has dared to carry at least some of its analysis and arguments somewhat beyond the strict limits which prudence may set for the drafting of official papers of this kind. The language too is generally direct and effective and the discussion in each chapter is neatly summed up in a few concluding paragraphs. Having said this, I must also mention a weakness in this year's Survey, which is that it has permitted itself quite a few contradictory statements. For instance, paragraph 2 on page 1 reads in part as follows:

> "Resource mobilisation by the centre has been commensurate with the targets set in the Plan".

I would invite listeners to compare this statement with the following passage on page 34:

> "The Fourth Plan as finalised postulates that the rate of domestic savings will rise from 8.8 per cent of national income in 1968-69 to 13.2 per cent of national income in 1973-74. To attain this progressive rise in domestic saving, a significant increase in the rate of public savings has been assumed in the Plan — from 1.4 per cent of national income in 1968-69 to 4.5 per cent in 1973-74. Despite the noteworthy tax efforts at the centre, the available data suggest that public saving in 1970-71 was hardly more than two per cent of the national income; if the Plan projection is to be realised, the doubling of this rate in the course of the next three years is minimally necessary".

If the Economic Survey could have had any single theme at all, it is that the effective mobilisation of resources for development still remains a task that has been only partially attempted. I wonder why those who drafted this Survey thought it desirable or necessary to gloss over this point by vaguely generalising that resource mobilisation has been commensurate with the targets set in the Plan. Had this been so, the government and the country would have been happier than they are now; and the latter will have less reason to fear the demands of the coming 28th of May.

Gearing GSFC to Future Task

PERIODIC REVIEWS of the working of an organisation are necessary to find out the lags in its operations. But such reviews become all the more necessary when the dimensions of the task assigned to an organisation get widened with changes in circumstances. The report of the Popawala Committee on the functioning of the Gujarat State Financial Corporation (GSFC), released a few days ago, belongs to the second category of these reviews, for the circumstances under which this Corporation was set up a decade ago were vastly different from those obtaining today.

At the turn of the sixties, there was no doubt a good deal of emphasis in the country on the development of small and medium-sized industries, which was sought to be fostered through the establishment of this Corporation in so far as the state of Gujarat was concerned. But the necessity to encourage entrepreneurship and to accelerate the industrial development of the backward areas was not felt as acutely as it is being felt now. It was, therefore, appropriate that the Popawala Committee was not only required to review the past operations of the GSFC but also to make recommendations for helping the growth of new entrepreneurs and the development of industries in the backward areas of Gujarat.

The committee has noted with satisfaction that along with a progressive increase in the financial assistance granted by the GSFC during the first decade of its operations, this assistance has been diversified to a great extent. "Barring the year 1962-63, the business of the Corporation", the committee says, "has continued to grow from year to year with an average yearly growth rate exceeding 50 per cent during the first decade." The progress since 1967-68 has been particularly spectacular. Loans sanctioned between 1967-68 and 1969-70 aggregated to Rs 370.85 lakhs, as against Rs 148.40 lakhs in the preceding three years and just Rs 58.55 lakhs during the period 1960-61 to 1963-64. Loan disbursements too recorded a sharp rise between 1967-68 and 1969-70 to Rs 289.94 lakhs from Rs 94.09 lakhs in the preceding three years and Rs 35.98 lakhs during the four years to 1963-64. Since 1964-

65, the GSFC has been giving deferred payment guarantee on behalf of its clients and has also been underwriting capital floatations.

The proportion of the Corporation's loans to new lines of manufacture, the committee points out, has gone up substantially — an encouraging trend indeed. The committee further feels that "the record of GSFC in financing non-traditional small-scale industries compares quite favourably with other SFC's". The loans granted by the GSFC to traditional small industries formed only 18 per cent of its total loans in 1968-69. Only in two states, namely, Maharashtra and West Bengal, this proportion was slightly lower (17 per cent); in all the other states it was substantially high ranging between 24 and 65 per cent.

The percentage share of new units in the assistance offered by the GSFC has also been progressively going up. It was 37.5 per cent in 1965-66. By 1968-69, this percentage went up to 55.1. In 1969-70, it came down to 50.6, but was expected to increase again in 1970-71. The sanction and disbursement of loans for units in the developed, under-developed and backward districts as well have shown encouraging trends. The share of the units in the developed districts has gone down significantly, while the under-developed and the backward districts have been getting larger sanctions and disbursements. The growth in the assistance sanctioned and disbursed to the units in the backward districts, of course, has been at a somewhat slower pace than in the case of underdeveloped districts. But the GSFC apparently could not help it because of lack of adequate infrastructure facilities.

As between the rural and urban areas, the pattern of assistance, the committee thinks, leaves much to be desired. It has, therefore, recommended bestowing of greater attention on the development of industries in the rural areas. Further, the committee is of the view that though such industries as mining and marine-based industries pose special problems — which is responsible for negligible assistance being afforded to them in the past — they deserve better treatment.

The committee has scathingly criticised the publicity of the assistance programme of the GSFC and some of its procedures. Pertinent note needs be taken by the GSFC and other state financial corporations of this criticism for remedial action suggested by the committee can yield wholesome dividend in accelerating the pace of development of small and medium-sized industries. The committee opines that the GSFC should not only publicise what types of assistance it provides but also what it cannot do. Regarding streamlining of procedures, it has recommended that GSFC should evolve a quick system of preliminary scrutiny of applications for assistance. The implementation of these two recommendations can save a lot of inconvenience to both the GSFC and those desiring assistance from it.

The suggestion of the committee that the GSFC should build up an effective follow-up department is similarly worth pursuing. This department, the committee feels, should not only carry out routine audits of the operations of the loanee concerns but should also make assessments of the conditions under which these concerns function. Such a department should be able to assist in the resolving of many difficulties which the loanee units have to face.

The stress laid by the committee on charging comparatively high interest on its loans to units proposed to be set up in the already congested industrial areas and on the liberalisation of the initial grace period for the repayment of loans to units in backward areas and those being set up by new entrepreneurs is not misplaced. These steps should help in the dispersal of industries to backward areas and should go some way in encouraging entrepreneurship. The committee, of course, has not significantly, recommended any concessional rate of interest for the units belonging to the two latter categories, for it thinks that the scarcity of capital warrants an upward revision in interest rates. The committee is of the view that the spread between the rates charged by the Corporation and those obtaining in the unorganised market is already fairly wide so that any one who obtains institutional finance does get funds at subsidized rates.

An important innovation that the committee has suggested in the lending operations of the GSFC is the tying up of small and large units for the purpose of extending loans so that the establishment of ancillary units gets fillip. This innovation is welcome. So also the pleas of the committee that the state financial corporations should be permitted to finance service shops in the industrially backward areas.

The emphasis placed by the committee on the organisation of an economic intelligence unit by the GSFC which will undertake industry studies and the study of broad marketing trends is not unwarranted. It has to equip itself well in this regard if judicious use of its limited funds is to be made in the face of mounting pressures for finance. A close liaison by this department with the other financial institutions in the state however should help in avoiding unnecessary duplication of work and effort.

In respect of encouraging new entrepreneurs to set up industrial units, the committee's suggestion for evolving

a package scheme involving factory sheds and equipment financing deserves notice. Such a scheme, however, has to be worked out by the state government. The OSFC's role in this scheme can only be the provision of finance to the new entrepreneurs or at the utmost tendering of expert advice regarding the feasibility of the projects envisaged. The burdening of the OSFC with any other function under this package scheme will not be desirable.

Licences Leisurely

WHILE ANNOUNCING the import policy for 1971-72 Mr L.N. Mishra, the Minister for Foreign Trade, assured businessmen that the government would take effective measures to issue the import licences promptly. He referred to the concern expressed by the Prime Minister over the delays that occurred in clearing import licences and he revealed that the Chief Controller of Imports and Exports had undertaken a complete review of the existing procedures to make them as simple as possible. The minister added that the government was planning to have a fixed time-table for the disposal of import licences and he saw no reason why the situation should not improve and delays avoided.

The minister's assurance is, no doubt, welcome. But it remains to be seen to what extent the government will be able to implement it. In the name of socialism, the government has been rapidly and even recklessly expanding the role of the public sector in the import trade. But the import control organisation has yet to be geared fully to perform its tasks with efficiency and speed.

Chronic delays in getting import licences have been a recurrent theme in the annual sessions of business organisations all over the country. That these complaints are not exaggerated is evident from the official statistics. For example, at the end of the year 1969-70, the total number of applications for import licences received by the government (excluding iron and steel control offices) was 1,67,435 of which 7,736 had been brought forward from the previous year. The number of disposals was 153,451 and of pending cases 13,984. The number of applications for import licences received by the iron and steel control offices in 1969-70 was 23,584 of which 5,950 had been brought forward from the previous year. The number of disposals was 14,420 and of pending cases 9,164. Thus, out of the total number of applications for import licences received in 1969-70, 1,67,871 were disposed of and 23,148 were kept pending.

Region-wise, the number of pending applications, excluding those relating to iron and steel, in 1969-70 was as follows: Bombay 2,493, headquarters 987, central licensing area 1,242, Calcutta 788, Madras 2,096, Kanpur 2,701 Hyderabad 1,452, Ernakulam 84, Ahmedabad 528, Bangalore 1,272, Rajkot 121, Goa 25, Visakhapatnam 34, Shillong 69, and New Kandla 1.

The table below shows the performance of the import control organisation in recent years.

Figures are not yet available for 1970-71. But since it was an election year, it is doubtful if there was any noticeable improvement in the administration of import control. In some cases, the failure of the applicants to fill in all the required details might have held up the licences. But such instances are likely to be rare since most applicants are only too well aware of the bottlenecks in Udyog Bhavan and would have therefore taken sufficient care in submitting the details. In this context, it is relevant to note that in 1969-70 the applications for the import of stainless steel sheets could not be disposed of for several months for want of a policy decision.

The Government of India has also released statistics to reveal the number of interviews granted by the import trade control offices year after year. In 1969-70, the import trade control offices (excluding iron & steel control offices) granted 1,57,754 interviews compared to 1,38,858 in the previous year. Perhaps, the government gives out these figures to show to the world how receptive and sympathetic it is to those who seek import licences. But do not these figures actually indicate the dilatory procedure of the government? If the government disposes of the applications promptly, there will be little need for businessmen to seek interviews with the officials.

The government should realise that the failure to deal expeditiously with import licences will have an adverse impact on production, employment, exports, prices and, in fact, on every aspect of the economy. The bulk of the imports consists of raw materials, machinery and components and unless these are made available at the time they are required, the economy will suffer. Of the total imports in 1969-70, raw materials and intermediate goods accounted for Rs 613.20 crores, components and spares for Rs 213.82 crores, iron and steel (excluding rails and railway track construction material of iron

COMPARATIVE FIGURES OF RECEIPT AND DISPOSAL OF APPLICATIONS

For import licences during 1965-66 to 1969-70

Year	Brought forward	Receipt	Total	Disposal	Pendency	Percentage of pendency to total receipt
Import trade control offices (excluding iron and steel control offices)						
1965-66	2,150	1,47,131	1,49,281	1,42,046	7,235	4.8
1966-67	7,235	2,39,660	2,46,895	2,36,113	10,782	4.4
1967-68	10,782	1,31,583	1,42,365	1,37,779	4,586	3.2
1968-69	4,586	1,53,442	1,58,028	1,50,292	7,736	4.9
1969-70	7,736	1,59,699	1,67,435	1,53,451	13,984	8.4
Iron and steel control offices						
1969-70	5,950	17,634	23,584	14,420	9,164	38.8*

*The high percentage of pendency in 1969-70 was due to advance import licence applications received during the end of March, 1970.

and steel) for Rs 81.01 crores, non-ferrous metals for Rs 74.51 crores, and complete machinery and equipment for Rs 187.78 crores. It is obvious therefore how important it is to the country's economy that the import control organisation should work with the utmost efficiency.

Apart from enunciating all aspects of the import policy clearly, and eliminating the causes for delay, the government should improve its public relations with industry and trade. The representations received from industrial and trade organisations for streamlining the procedures should be promptly considered and implemented except perhaps where major policy decisions are involved. The Board of Trade and the Advisory Council on Trade should meet more often. The export-import advisory committees located at Bombay, Calcutta, Madras and New Delhi should be energised and their discussions and recommendations should receive greater consideration than hitherto. Radicalism in foreign trade without a radical improvement in administration will prove disastrous to the country's economic development.

Integration of Interest Rate Structure

THE MONETARY authorities have, for some time past, been keen on making a success of the bill market scheme which became effective from November 1, 1970, and on increasing the velocity of circulation of available resources besides stimulating fresh savings. Towards this end, large-sized industrial units have been exhorted to take advantage of this scheme and draw up instruments which can be discounted on a reasonable basis and which will lead to the effective absorption of surplus funds in the organised credit sector. At the same time, it is also being examined how a similar approach can be adopted towards the problems relating to the mobilisation of resources by term-lending institutions and the creation of instruments which will be helpful in sucking new funds into the credit system.

Under the bill market scheme, short-term credits are sought to be financed through the creation of bills of exchange which mature generally within 90 days and the system of cash credits for purchase of goods and against book debts is proposed to be abolished. It is hoped that, over a period, bills of exchange will become popular and the cost of borrowing even reduced on account of the advantage arising out of a larger turnover by banks with the same volume of resources.

Discount and Acceptance Houses have been functioning efficiently in the developed countries and the idea of evening out and eliminating excess liquidity in any part of the sector through investment in these instruments is indeed laudable. But, if the scheme has not made satisfactory headway so far, it is due to a combination of various factors. The government itself has been responsible for the soaking of the banking system through the imposition of a higher liquidity ratio, the heavy financing of procurement of foodgrains and the diversion of credit for new purposes. The grant of sizable loans to the state electricity boards and others and the immobilisation of large amounts in procured foodgrains, not to speak of heavier investment in government securities, were responsible for the unprecedented squeeze in the money market until the middle of March. The inter-bank call rate was at one stage quoted at 12 per cent in Bombay and Calcutta.

When borrowing on a penal basis from the central banking institution was being effected even at 15 per cent and high short-term rates prevailed in the open market, it cannot be expected that banks could make a success of the bill market scheme when it was lending at 10½ and 11 per cent. The artificiality of short term rates has to a great extent disappeared as a result of the adjustments made by the central government in recent weeks and the easing of the pressure on the banking system from certain directions. The credit institutions also slowed down the grant of loans to new classes of borrowers and even restricted credit limits to existing borrowers. As a result of these developments the abnormal situation in the money market has disappeared and the inter-bank call rate is quoting around 5½ per cent in Bombay and Madras.

It is necessary, however, to point out in this connection that even with a sharp decline in short-term rates in the past few weeks, there has been no improvement in the liquidity of the banking system. In fact, even with a faster growth of deposits and a slowing down in the growth of advances, the credit-deposit ratio is still quite high at 76 per cent and banks would be in difficulty if they were unable to borrow at concessional rates or at the Bank rate from the Reserve Bank against advances for priority purposes. The borrowings of scheduled commercial banks stood at Rs 205 crores during the week ended May 14.

These facts should not be taken to mean that the bill market scheme has not been properly conceived or it cannot be made a success at any stage. The facts have been cited only to draw attention to the difficulties in the way of evolving a properly integrated structure of interest rates when the government and the Reserve Bank of India are not thinking properly and are even sometimes working at cross purposes. While it is generally agreed that the difficulties of the banking system have been needlessly complicated by the anxiety of the government to secure its needs and those of public bodies on a cheaper basis, the Reserve Bank also has not sufficiently realised that it has added to the confusion by allowing some banks to issue participating certificates. These certificates have in effect meant the mobilisation of deposits through the payment of higher interest rates in contravention of the agreement on deposit interest rates.

When there is no excess liquidity in the banking system and industrial units are also over-extended, the desired progress can be made only with a regulation of trade practices compelling payments of bills within 60 days and the offer of incentives for saving and investment. Above all, mere availability of incentives will not have the desired effects as there will have to be a growing volume of production and incomes.

In two or three years from now a favourable climate may develop if there are no unexpected happenings in the agricultural situation and there is continued improvement in the industrial sector. In the meantime, it will be necessary to integrate the interest rate structure as there is no justification for having a wide spread of over 5½ per cent between average deposit rates and average lending rates. The incorrectness of the policy of the Reserve Bank has been exposed by the latest developments and it would now appear that the major banks are intent on maintaining interest rates at a high level not for discouraging borrowing for unproductive purposes but for mainly financing the heavy expenditure now being incurred on the opening of new branches and for providing against large bad debts that may have to be incurred through unscientific and indiscriminate lending to new classes of borrowers.

When there is such a big spread between average deposit rates and average lending rates and short-term rates are

unduly high, the suggestion made by the Ramanujam Committee, appointed by the Reserve Bank, for creating term instruments cannot be satisfactorily implemented. If medium-term and long-term loans have to carry rates of interest which are higher than those for short-term credits and differential rates are also to be adopted in the bargain, it may become necessary to charge a minimum rate of 12 to 14 per cent for commercial purposes. This development, if it comes about, will clearly have harmful effects and upset the calculations of industrial units especially when the incidence of direct taxation is very heavy. The Ramanujam Committee was aware of the complication that would arise as a result of a strict implementation of its recommendations and, therefore, suggested that while creating term instruments the buyer should also be given the attraction of acquiring these instruments along with parcels of industrial securities held by the term lending institutions on a profitable basis. How this proposal could be implemented without leading to abuses has not been explained. It is also not correct to say that a diversion of funds to non-banking institutions is undesirable or can be prevented by the offer of market rates for discounting term instruments. It is overlooked that the non-banking companies have been compelled to offer higher rates of interest on deposits accepted by them only because they have not been able to get the required quantum of credit from their bankers.

Besides, in so far as funds are held in a recognisable form in the organised sector and there is no excess liquidity anywhere, the creation of instruments by themselves cannot lead to an expansion of the base of the money or capital markets unless there is a congenial atmosphere in which there can be a faster generation of savings and their utilisation for productive purposes. Immediately, the popularity of short-term bills of exchange and term instruments with longer maturity can be ensured only if special efforts are made to evolve a properly integrated interest rate structure and there is no compartmental thinking. The inherent contradictions in monetary policies and the government's approach to its own problems should be eliminated while new steps are taken to hasten the process of monetisation of the economy and encourage saving and investment.

Hindustan Lever and Social Audit

THE TRADITION of most modern busybodies today seems to be to brand everything and everyone they do not like, even if it be for some personal reasons, as bad and undesirable to the entire nation. Take, for example, the attitude of the Young Turks — why, of the union government itself—to big and foreign businesses. Stated simply, according to them, everything big is bad, everything foreign is bad and so both must be cribbed, cabined and confined, if not eliminated altogether. This surely is neither fair to all big or foreign businesses, nor to ourselves for that matter. And we are certain that this would be the considered verdict of even the Young Turks or others of their line of thinking if they only cared to take note of the social audit of Hindustan Lever Ltd in the sixties, a refreshingly welcome exercise that formed the theme of this year's speech by the company's chairman, Mr V.G. Rajadhyaksha. It is Mr J.R.D. Tata, we believe, who first broached the idea of such social audit, although Hindustan Lever has walked away with the honours for being the first to expose itself to it.

At the outset, we must have certain guidelines for every exercise in social audit. For instance, any company, especially if it is a leading one or if it is owned and/or controlled by foreigners, to be able to get a clean chit from a rigorous social audit, must produce to its maximum installed capacity quality goods and at the most economical cost, distribute these goods as widely as possible — both inside the country and outside—and at a reasonable price, earn enough profit to meet its obligations to its owners (shareholders), to the exchequer (tax authorities) and to itself (the company). At the same time, it must take care of its neighbours and environments and make contribution to their betterment in every conceivable way — better living standards, better sanitation, better educational and health facilities; in other words, make its contribution socially and culturally. It must also take the responsibility to lift the smaller units of the industry and ancillaries.

Hindustan Lever's business has been mainly in household consumer goods such as Dalda (a term which is broadly applied to all *vanaspati*), Sunlight, Lifebuoy, Surf and Vim. Rarely have the people of our country complained about the quality or price, or non-availability of these goods, thanks to the trained marketing organisation built up over the years. Mr Rajadhyaksha's claim on this count — "in the field of distribution, we have created a network which is not only efficient and economical, but which was one of the first to penetrate deep into the countryside using methods and equipment which were new to the country" — will not, therefore, be seriously disputed by anyone. So too his statement that "we have devoted much attention to the use of resources in order to provide the consumer with the highest value for her money", as witness the significant reduction in the man-hours required to produce a tonne of soap from 40 to 27, as also in the wastage of materials and services, all of which have materially contributed to cost reduction.

Hindustan Lever's export performance also has been good. It might have been better still but for the ban on exports of refined edible oils and *vanaspati* following the devaluation of the rupee. However, it is noteworthy that, by exporting non-traditional items and also exploring new markets (e.g. Hima food mixes to people of Indian origin overseas and synthetic detergents to the USSR), the company could export goods worth Rs 4.8 crores in 1970.

Import substitution also is as important as exports to a country with a persistent adverse balance of payments such as ours. It is to the credit of Hindustan Lever that, by producing and popularising synthetic detergents, it could save imports of oil of over three crores of rupees required to produce an equivalent quantity of soap. According to Mr Rajadhyaksha, this figure can go up to six crores of rupees or even 10 crores of rupees per annum in less than the next three years, if, by then, the alkylate which is one of the main raw materials for detergents, is manufactured in the country.

There is so much talk these days of agro-industries and agricultural expansion work, but hardly any notice is taken of some excellent work in these fields by enlightened sections of the private sector such as Hindustan Lever. In association with the Vanaspati Manufacturers' Association, this company has not only pioneered, but stimulated interest in others also in the production of better seeds and improved agronomic practices for growing groundnuts in many parts of the country. Hindustan Lever is also the largest user of cottonseed oil, as it has developed techniques for its use in *vanaspati*. It is thus largely responsible for diverting cotton seed from its relatively uneconomic use as cattle-feed. But cattle are not forgotten either, as the company has played a major role in developing an organised animal feed industry in the

country which can offer as nutritious feed as cotton seeds.

It is not often that the government's decisions are translated into action promptly. There is, for example, the suggestion that the government should appoint a National Commission for Oils and Fats to suggest the means by which the output of indigenous vegetable oils can be increased at such a pace as to allow supply to catch up with demand. Everybody is agreed this is a splendid suggestion, but contrast this with the time the government has been taking to process the offer of Hindustan Lever to set up and run a modern palm oil plantation in the Andaman Islands, where, we are told, it is possible to obtain very high yields of oil. In this case, the company has access to unrivalled knowledge and experience by reason of its international associates. What is needed is prompt and purposeful action on the part of the powers that be.

Two contributions of Hindustan Lever to our agro-industries must be noted. One is at Ghaziabad, where the company has put up the first unit in this country using a unique process for dehydrating peas, apart from helping farmers to improve the yield and quality of their pea crops. The second is the initiative taken by Hindustan Lever in collaborating with tea estates in Assam to cultivate citronella oil, a hitherto imported essential oil, in commercial quantities.

In the field of research and development and building up a trained cadre, both at professional managerial level and at non-management level, Hindustan Lever has distinguished itself creditably. Its role in the assistance and development of institutes of administration and management also is commendable. Its future programme (for the seventies) formulated in conformity with the government's new industrial policy too is unexceptionable. But what is unfortunate is that all these and more would have been possible, provided bigness or foreigners were not held to ransom just to propitiate a particular political ideology. Mr Rajadhyaksha has ably brought out the positive advantages of being able to draw on his company's international associates and using its existing plant facilities to the maximum extent, but the government's new policy is an avoidable impediment. Since every rule is said to have an exception, why not the government make exceptions of at least those industrial undertakings, whatever their size or nationality, which pass the social audit test? If need be, the government itself could evolve the guidelines for such a social audit test.


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Rubber Producers Face a Crisis

ECONOMICIAN

ALTHOUGH THE idea of an Asian Common Market (or on a smaller scale the South-East Asian Common Market) has yet to take a formal shape, a trend seems to have already set in to make efforts for effectively tackling the problem affecting the major products of some of the developing nations of this region.

An Asian Coconut Community has already come into being. Much headway has been made in the formation of the Indo-Ceylon Tea Consortium. A Pepper Community comprising Malaysia, India and Indonesia has been mooted. The latest to this list of commodity unions is the Association of Natural Rubber Producing Countries constituted in October last.

The difficulty facing the natural rubber producing countries is the secular downward trend in prices combined with occasional fluctuations. After a prolonged falling trend lasting eight years, prices in early 1968 touched the lowest level since 1949. But in August 1969 the price of rubber spurted to 31 cents per lb, about 80 per cent higher than that of January 1968. And one year later, in August 1970, prices drifted downward and virtually to the level reached in 1968 and they have not yet recovered. This is the background against which the new association has been mooted. The aim is to promote a joint marketing system and procure better prices for the producing countries.

Consumption Keeps Pace

Table I provides a profile of the world rubber economy. It will be seen that the production of this commodity has gone up from 2.126 million tonnes in 1961-63 to 2.925 million tonnes in 1970. Two major producing countries, namely, Malaysia and Indonesia, have increased their combined share from 1.482 million tonnes to 2.080 million tonnes during this period. The trend of utilisation has kept pace. Thus, the world consumption of this commodity rose from 2.231 million tonnes in 1961-63 to 2.975 million tonnes in 1970.

The developed countries absorbed 1.850 million tonnes in 1970. Included in this group are such countries as the USA, Japan and the UK which account for the bulk of the world consumption of natural rubber. The share of developing countries too has been going up in recent years. Thus, their total consumption expanded from 253,000 tonnes in 1961-63 to 440,000 tonnes in 1970. The trend of utilisation in centrally planned economies has, however, been erratic. During 1961-63 these countries absorbed as much as 534,000 tonnes, which rose to 718,000 tonnes in 1969, coming down to 685,000 tonnes in 1970.

The two major producing countries, namely Malaysia and Indonesia, account for the bulk of world exports of natural rubber. Malaysia alone shipped 1.340 million tonnes in 1970 out of the world shipments of 2.975 million tonnes, followed by Indonesia with 730,000 tonnes. The export earnings received by these two countries were $550 million and $205 million, respectively. The fluctuations in the prices of this commodity therefore adversely affected the economies of these countries.

What is, however, noteworthy is that although the volume of exports estimated for 1970 is about 35 per cent higher than that of 1962-63, foreign exchange earnings fetched would roughly amount to those of the early sixties, thanks to the fall in the price of the commodity in the international markets. Besides, earnings fluctuated from year to year owing to wide price movements.

A major reason for the falling trend in prices is that in recent years natural rubber had to face competition from

TABLE I

A PROFILE OF WORLD RUBBER ECONOMY

	1961-63	1964-66	1968	1969	1970 Preliminary estimate
		(Thousand tons)			
Production					
Malaysia	833	950	1,100	1,279	1,320
Indonesia	649	694	752	739	760
Other developing countries	644	718	783	831	845
World	2,126	2,362	2,635	2,849	2,925
Utilization					
Developed countries	1,414	1,568	1,742	1,838	1,850
Centrally planned countries	564	555	715	718	685
Developing countries	253	310	393	399	440
World	2,231	2,433	2,850	2,955	2,975
Exports					
Malaysia	821	924	1,114	1,292	1,340
Indonesia	633	671	729	717	730
Other developing countries	566	611	655	689	710
World	2,020	2,206	2,498	2,698	2,780
End-year stocks : world total	710	785	878	958	960
Deliveries from strategic stockpiles	64	128	74	35	20
Prices (US cents per kg)					
RSSI (c.i.f. New York)	61.97	54.97	43.74	57.75	47.00
Value of exports		(Million US $)			
Malaysia	462	453	427	640	550
Indonesia	289	229	203	235	205
Thailand	99	95	79	125	110
Other developing countries	36	25	24	208	180
World	1,055	977	850	1,208	1,045

Source: FAO.

synthetics (see Table II). True, in absolute terms production and consumption of both went up, but the growth rate was low in the case of natural rubber. Thus, the world consumption of the two taken together registered an advance of 120 per cent between 1955-57 and 1967-69. However, while total usage of synthetic rubber rose by 230 per cent during that period, consumption of natural rubber increased by a little over 40 per cent only.

The share of natural rubber in total consumption declined from about 60 per cent in mid-fifties to about one-third towards the end of the sixties. The penetration of synthetic rubber is due to many factors. The consumer preference for synthetics keeping in view the modern trends and fashions, stratagic reasons for lessening dependence on imports, relative price advantages, etc. can be cited as the important factors.

Inroad by Synthetics

The producing countries are aware of this inroad of the synthetic product. Constant efforts are being made to improve production techniques and to raise the average yield so as to compete with synthetic producers and to arrest the declining trend in prices. In the recent past new processing and marketing methods have been adopted. Quality and appearance of the product have been successfully improved.

For instance, under the Standard Malaysia Rubber Scheme (SMR), introduced in 1965, certain specific technical qualities and performance are guaranteed. The traditional method is thus being replaced by modern scientific grading. The SMR scheme is combined with several new primary processes, the most important being the Heveacrumb process, which converts the coagulum into particles by treatment with non-compatible oils. The resulting product is more adaptable and cheaper than the smoked sheet. The impact of this development can be realised from Table III in the case of Malaysia. Thus, from about two per cent of the total exports, the share of Heveacrumb is expected to go up to 35 per cent in 1975.

The fortunes of the natural rubber producing countries are not easy to forecast. The most important factor is the cost and price relationship between natural rubber and its competitor, the synthetic. Since these two types of rubber are technically interchangeable, the remaining difference may be overcome in due course. The level and pattern of consumption will be dictated by the relative price and the availability of each type of rubber. So far, polyisoprene has also been available in limited quantities and the cost of production is high, thanks to technical problems in the production of isoprene monomer.

Two possibilities can, however, be visualised. One, a technical breakthrough in the production of isoprene monomer would bring down cost of polyisoprene production substantially, thus causing great harm to the natural rubber producing countries. Two, this technical breakthrough may not occur in the near future, say till 1980. At the same time, the newly developed yield stimulation technique on natural rubber trees may gain further momentum. This technique on natural rubber will drastically reduce the cost of production. Such a possibility may discourage polyisoprene producers to invest further in polyisoprene capacities, leaving a substantial share of the market to natural rubber.

This is precisely the most important task on which the Producers' Association will have to concentrate its attention. How far its efforts will succeed in arresting the inroad of synthetics so as to ensure the development of natural rubber on modern lines is a question which cannot be given any categorical answer in either way. All the same the issues before the producers are clear and as such they can chalk out a programme of action.* The progress and the results of these action-oriented programmes will be watched with considerable interest by the consuming countries as well.

TABLE III

EXPORTS OF HEVEACRUMB FROM MALAYSIA

Year	Heveacrumb (in 000 tonnes)	Percentage of Heveacrumb in total exports of rubber
1965	0.4	..
1966	6.1	0.5
1967	18.3	2 0
1968	82.0	7.0
1969	140.0	11.0
1970	200.0	15.0
1975 (planned)	620.0	35.0

Source: FAO

TABLE II

SYNTHETIC RUBBER PRODUCTION, CONSUMPTION AND EXPORTS

(Thousand tons)

	1961-63	1964-66	1968	1969	1970 preliminary estimate
Production					
Developed countries	2,240	3,012	3,836	4,327	4,650
Centrally planned countries	525	760	910	985	1,100
Developing countries	17	60	141	158	180
World	2,782	3,832	4,887	5,470	5,930
Utilization					
Developed countries	2,039	2,779	3,571	3,940	4,140
Centrally planned countries	548	781	905	972	1,100
Developing countries	108	203	327	365	410
World	2,695	3,763	4,803	5,277	5,650
Exports					
Developed countries	595	820	1,026	1,148	1,280
Centrally planned countries	88	98	136	139	145
Developing countries	..	8	1	4	5
World	683	926	1,163	1,291	1,430
End-year stocks	482	620	760	910	1,050

Source: FAO

FROM THE PRESS GALLERY

Heavy Dose of New Taxation

OUR PARLIAMENTARY CORRESPONDENT

NEW DELHI, Saturday.

IN LINE with the ruling party's mid-term poll manifesto, the union Minister for Finance, Mr Y.B. Chavan, has come down with a heavy hand on the more affluent sections of our society. Presenting his budget proposals for the current financial year yesterday, he not only enhanced direct taxation on this section but also selected a number of items going into the consumption of these people for a fairly large dose of indirect levies.

The additional taxation which Mr Chavan proposed will net in a full year over Rs 275 crores. During the current financial year, the accrual will be of the order of Rs 220 crores. In this, the states' share will be in the neighbourhood of Rs 43 crores. The union exchequer will receive nearly Rs 177 crores.

The budget estimates for the current year without additional taxation showed an overall deficit of Rs 397 crores. The taxation proposals will bring down this deficit to Rs 220 crores. This is the quantum of deficit financing envisaged this year on central government account.

The revenue account receipts, before new taxation, are estimated at Rs 3,562 crores and expenditure at Rs 3,587 crores. On the capital account, the receipts are placed at Rs 2,024 crores, as against an expenditure of Rs 2,396 crores. The expenditure on the current year's Plan has been stepped up by Rs 155 crores. The budget makes a provision of Rs 60 crores for East Bengal refugees and Rs 25 crores for a scheme for providing relief to the educated unemployed.

The following are the highlights of Mr Chavan's taxation proposals:

Direct Taxes

(i) In the field of personal income-tax, the rate of surcharge in the case of individuals as well as Hindu undivided families has been increased from 10 per cent to 15 per cent provided the total income exceeds Rs 15,000 per annum.

(ii) The deduction from long-term gains allowed in computing the taxable income of non-corporate assessees has been reduced from 45 per cent to 35 per cent where such gains relate to lands and buildings, and from 65 per cent to 50 per cent in respect of other capital gains.

(iii) The incidence of tax on long-term capital gains has been increased in the case of companies as well. This increase has been brought about by raising the rates of tax from 40 per cent to 45 per cent in respect of gains relating to lands and buildings and from 30 per cent to 35 per cent in respect of other gains.

(iv) Taxation on slabs of net wealth above Rs 15 lakhs will now attract a uniform rate of tax of eight per cent. Also, for purposes of taxation, the first Rs one lakh of wealth in the case of all individual assessees and the first Rs two lakhs for Hindu undivided families will be included in net wealth. Exemption in respect of approved financial investments, owner-occupied house and agricultural assets will, of course, continue. The exemption from wealth tax currently available for household jewellery and for shares forming part of initial capital issues has been withdrawn. In the case of conveyance, the exemption will now be limited to Rs 25,000 in the aggregate.

(v) The existing provision in the Wealth Tax Act excluding from aggregation the assets transferred by an individual to the spouse or minor children has been done away with. A similar provision has been made in respect of conversion of assets of individuals into those of Hindu undivided families.

(vi) Conversion of the separate property of an individual into property belonging to a Hindu undivided family has been brought within the ambit of gift tax.

Taxation of Companies

(vii) The rates of surtax on company profits have been increased from 25 per cent to 30 per cent in the case of chargeable profits in excess of 15 per cent of the capital. The rates of taxation on the ordinary income of companies are being maintained at existing levels except for the rates on capital gains.

(viii) No development rebate in respect of new investment will be allowed on ships acquired or machinery or plant installed after May 31, 1974 — from the fifth Plan onwards.

(ix) At present, in the case of new industrial undertakings, ships and approved hotels, profits up to six per cent of the capital employed are entitled to tax exemption for a period of five years. In calculating this limit of the capital for purposes of tax exemption, debentures and long-term borrowings will be excluded.

(x) The special tax exemption enjoyed by priority industries is to be brought down from eight per cent to five per cent of their profits. In addition, the list of priority industries is to be shortened by excluding aluminium, motor trucks and buses, cement and refractories, soda ash, petrochemicals and autombile ancillaries.

(xi) The deduction of income up to Rs 3,000 in the aggregate from investments in specified financial assets which was provided for last year will from now on be admissible only to individuals and Hindu undivided families.

(xii) The concessional tax treatment of dividends received by foreign companies from a closely-held Indian company engaged in a priority industry will be discontinued the foreign companies will be subjected to tax on such dividends at the usual rate of 24.5 per cent.

(xiii) To discourage payment of high salaries and remunerations it has been proposed to impose a ceiling of Rs 5,000 per month on the remuneration of company employees which would be deductible in computing taxable profits. The existing ceiling in case of perquisites is Rs 1,000 per month. It is also proposed to reduce the tax deductible limits of daily allowance to employees while on tour.

Concessions in Direct Taxes

(i) In the case of employees who own a motor-cycle or scooter or a moped, the deduction allowed for the computation of taxable income is to be raised from Rs 60 to Rs 75 per month. For others who do not possess any of these, the deduction will be raised from Rs 35 to Rs 50 per month.

(ii) The quantum of deduction in respect of long-term savings through life insurance, provident fund contributions, etc., has been substantially modified. As a result of the change in the deductions allowed for conveyance and long-term savings, an employee with an annual income of Rs 6,000 will be exempt from income-tax provided he saves at least Rs 400 in the approved form.

(iii) The tax concessions for promoting development and export of technical know-how and technical services, which have been available only to companies, will now also apply to individuals,

Hindu undivided families and partnership firms.

(iv) The special deduction of income up to Rs 3,000 from investments in specified financial assets available to individuals and Hindu undivided families would henceforth also cover interest on deposits with a co-operative society made by its members. Moreover, the interest paid by a co-operative society to its members on deposits made by them will be exempted from the requirement of deduction of tax at source.

(v) Shares of member-deposits with a co-operative society will be regarded as approved investments which are exempt from wealth tax up to Rs 1.5 lakhs. But it is proposed to withdraw the exemption in respect of such investments in the case of discretionary trusts.

(vi) Co-operative societies of workers or those engaged in fishing and allied activities will be exempted from tax on their entire business income. Local authorities deriving income from the supply of water or electricity to villages outside their jurisdiction will be exempted from tax on such incomes.

Indirect Taxation

(*i*) It is proposed to have five slabs of duty on cigarettes in place of the existing three. The effect of the proposals is estimated to be marginal increase in the price of cheaper varieties of cigarettes (about three paise per packet of 10 cigarettes) but much sharper increase for the more expensive varieties (8 to 40 paise per packet of 10 cigerettes

(*ii*) The additional excise duties on medium A and medium B varieties of cotton textiles have been stepped up from 4.8 paise to six paise per square metre. The additional duty leviable on coarse cloth has been rounded off from 3.6 paise to four paise per square metre. As for superfine and fine cloth, the rates of additional excise duty are being raised to 25 paise and 15 paise, respectively, per metre.

(*iii*) The duty on motor spirit has been raised by Rs 200 per kilolitre or 20 paise per litre.

(*iv*) The duty on special boiling point spirits has been raised from Rs 45 to Rs 845 per kilolitre.

(*v*) An extra duty of Rs 100 per metric ton has been imposed on mineral turpentine oil.

(*vi*) In the case of liquid petroleum gas, a specific duty of 25 paise per kilogram is to be imposed and the ad valorem duty of 20 per cent abolished.

(*vii*) The rate of duty which at present obtains on lubricating stock oils and greases directly derived from refined petroleum would also now apply to blended lubricating oils, greases and calcined petroleum coke.

Exemptions given to gases such as oxygen, chlorine, ammonia and refrigerant gases from excise duty have been withdrawn. But oxygen for medical use and ammonia used in the manufacture of fertilisers would continue to be exempted from duty.

(*viii*) The basic duty on glassware has been raised to 20 per cent and that on sheet and plate glass to 15 per cent. Glass shells, glass globes and laboratory glassware have been left untouched. Tableware and china, which were left undisturbed last year, will now attract a uniform duty of 20 per cent.

(*ix*) The evaporative type of coolers, which have hitherto been exempt from duty, will now be charged a duty of 25 per cent but will be exempted from the payment of the special excise duty. Vacuum flasks, exempt till now, will have to bear a levy of 15 per cent ad valorem.

(*x*) It is proposed to revise the duty on soap from the present effective rate of 11.4 per cent to 15 per cent. Household and laundry soaps are being left untouched.

(*xi*) The duty on latex foam sponge used extensively in the manufacture of foam mattresses has been doubled from the present rate of 20 per cent ad valorem. A similar levy will be imposed on polyurethane foam as well as certain products made out it. The basic rate of duty on plates, sheets and strips of rubber is also being stepped up from 20 per cent to 25 per cent ad valorem.

(*xii*) The duty on crown corks and pilfer proof caps is to be raised from one paise to two paise each.

(*xiii*) Indirect taxes are to be levied selectively on products and equipments used in agricultural operations by the richer sections of the peasantry. There is to be a duty of 10 per cent ad valorem on agricultural tractors.

(*xiv*) Several new items have been introduced into the orbit of central excise taxation. They include perfumed hair oil, shampoos lipsticks, pressure cookers, playing cards, zip fastners, photographic cameras, cinematographic projectors and linoleum. The duty ranges from 10 to 25 per cent.

(*xv*) Similarly, there is to be a levy on certain ready-made garments mostly purchased by the well-to-do. In order to protect the small manufacturers, this levy will be confined to ready-made garments manufactured with the use of power and sold under registered trade marks or brand names.

(*xvi*) An excise levy has been introduced on a number of producer goods and four more chemicals have been added to the list of excisable chemicals.

(*xvii*) It is proposed to levy a duty of 10 paise per kilogram on maida produced by roller flour mills in the organised sector.

(*xviii*) The Finance Minister also announced a few excise concessions designed to promote the use of minor oils in the maufacture of soap and provide some relief to the small and marginal units using powerlooms for manufacturing cotton fabrics.

Import Duties

(*i*) It has been proposed to reduce the number of import duties from the present seven rates to four. The new rates of duty are : 30 per cent ; 40 per cent, 60 per cent and 100 per cent. All items of machinery now attract 30 per cent import levy. This would mean a marginal increase of 2.5 percentage points on project imports and reduction of duty by five percentage points on machinery in general; this reduction would provide relief to smaller industrial units. Items such as agricultural machinery and implements, dairy and poultry appliances would now attract duty at 30 per cent instead of 15 per cent

(*ii*) It is also proposed to bring under one rate of duty all similar items.

(*iii*) In order to remove an anomaly in import duties, which enabled the import of automobile components and dry fruits mostly by the affluent, the levy has been enhanced from 60 to to 100 per cent. The duty on cloves has been increased from Rs 19 per kilogram to Rs 60.

(*iv*) A a result of the realease from the General Agreement on Tariffs and Trade, changes in the import duties can now be effected. This opportunity has been utilised to revise the duty on staple fibre excluding yarn, raw wool, unwrought copper, zinc and pig lead. With a view to narrowing the gap between the prices of imported and indigenous tractors a 30 per cent duty on imported tractors has been proposed. A similar levy has been proposed on earth-shifting machinery.

OTHER MEASURES

(*i*) A tax has been proposed on foreign travel. It will be levied at the rate of 20 per cent ad valorem on all tickets purchased in rupees; tickets paid for in foreign exchange will be exempt. The only other major exemption would be for students and scientists.

P. & T. Tariffs

There is to be an upward revision of tariff relating to registration fees for postal articles and telegraph and telephone rates. Items used by the less affluent sections of society like post cards, letter cards and letters have been left untouched. The registration and

parcel fees are being raised by five paise and ten paise respectively for 400 grammes. Some minor adjustments have also been made in the charges for telegrams consisting of more than eight words as well as the rentals for telephones, teleprinters and telex services.

As could be expected, the upheaval in Bangla Desh, which has led to an influx of over 3.4 million refugees into Assam, Tripura and West Bengal, caused grave concern to members in both the Houses. The opposition in the Lok Sabha was so agitated that it gave a notice of an adjournment motion to be discussed on the very first day of the assembly of the House. The Speaker, however, refused permission for the move. This led to a walk-out by all the major opposition groups in the House. The subject came up for discussion later on in both the Houses.

It was feared by almost all the members who participated in this discussion, both in the Lok Sabha and the Rajya Sabha, that the massive inflow of refugees from Bangla Desh would cause severe damage to our economy. There was not only near-unanimous demand from the opposition benches for the immediate recognition of Bangla Desh so that effective steps could be taken to tackle the problem, but also many from the treasury benches spoke in the same refrain.

Patience Counselled

Replying to the debate in the Lok Sabha, the Prime Minister, Mrs Indira Gandhi, shared the concern of the participants in the debate over the situation in Bangla Desh, but counselled patience in the matter of its recog ition. She called upon the world powers to intervene with a view to re-establishing peace and security in this strife-torn area. If the international community failed to appreciate the critical nature of the situation, she feared, it might lead to disastrous consequences.

The Lok Sabha members had their say on the railway budget (see details of the railway budget in the 'Record and Statistics' section). Many expressed the view that this budget need not have been a deficit one if good care had been taken to curb extravagance, corruption and inefficiency. Fears were expressed that the proposed increases in freight rates would not only add to the inflationary tendencies in the economy but also lead to diversion of traffic from the railways to road transport.

The Rajya Sabha adopted this week the bill seeking to liberalise abortions.

WINDOW ON THE WORLD

Rationalisation of European Railways

JOSSLEYN HENNESSY

LONDON

I

AUTOMATIC COUPLING DEVICE

THE GOVERNMENTS of member countries of the European Conference of Ministers of Transport (ECMT) — Austria, Belgium, Denmark, France, Federal Republic of Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, United Kingdom and Yugoslavia — recently agreed that all railway wagons used in international traffic should be simultaneously equipped with an automatic coupling device in order to help in speeding the flow of international traffic and improving the operating efficiency of the European railway system, which plays an important role in their long-term plans. The project also embraces the east European countries, since it is being carried out in consultation with the "Organisation for Railway Collaboration (OSJD)" — comprising, in Europe: Albania, Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, Rumania and the USSR — which represents the railway authorities of those countries. It now remains to decide the date for making the changeover, with due regard to the financial implications and to the benefits expected from this first step towards automation of the European railways.

Dangerous Work

Out of every 100,000 wagon shunters, four are killed and 150 injured each year. Dangerous work of this kind is increasingly a thing of the past. The International Labour Organisation has been concerned with this since 1923 and recommends the adoption of automatic coupling. Shunting is a hard and poorly paid job, and people prepared to do it are becoming increasingly scarce as the years go by, especially in the highly industrialised countries.

The social implications of introducing automatic coupling thus have a bearing on the economics of the project. It should also be borne in mind that automatically-coupled stock has a faster turn-round. The time saving is even greater if the automatic coupling includes connections for air-brake hoses and electrical circuits. This is one of the advantages of the system that is being adopted by the ECMT countries compared with the systems applied in the United States of America and the Soviet Union. Automatic coupling in the United States dates from the beginning of the century; in the USSR it was introduced in the early thirties.

Automatic coupling also paves the way for bigger train loads and increasing line capacity. The strength of the traditional coupling is limited by the weight of its components that have to be lifted by hand. With automatic coupling there is no such limitation, and heavy freight trains can be made up to match the power of modern locomotives, several of which can, moreover, be coupled together to haul a train under the control of a single driver.

Limitations to Speed

The layout of the European railway network and the location of the areas in which primary products are produced, imported and consumed, are such that freight train loads in western Europe cannot be expected to attain the very high levels currently encountered in the United States and the USSR. Loads of this size also imply trains of such length that difficulties would arise in making them up and accommodating them in stations, factories and sidings. With the present infrastructure, these problems could not be overcome. On the other hand, a general increase in train loads — which might reach 6,000 tons compared with 2,500 to 3,000 tones today — will make possible a further rise in the saturation level of lins that are already technically equipped (in signalling, train control, and so on) for maximum output.

Experts believe that the economic role of the railways will become more firmly established in the next few decades, though the frame of reference in which they operate may be different and though they may have to change their operating methods by applying new techniques. The larger countries have been shaping their railway policies accordingly. The USSR is a case in point and the United States is another. Having allowed its railway system to decline, that country has now found it necessary to retrieve and modernise it. In Europe, closer economic integration in the same direction is apparent.

As it is so vitally important to obtain the maximum performance from infrastructure and rolling stock, the railways have strong inducements to automate their operations to an ever-increasing degree. This process is much easier for the railways than for any other means of transport. The full possibilities of automation cannot be exploited, however without automatic coupling. Automation is altogether incompatible with manual intervention (in this case also involving both risks and hardship) and modernisation of the railways inevitably calls for automatic coupling.

The introduction of automatic coupling must be seen in the context of transport economics in the broad sense. Profitability criteria based on quantifiable costs and benefits cannot be the only yardsticks taken into account. Some of its expected advantages are indirect and though non-quantifiable, none the less real: better working conditions, quicker service, possibility of dispensing with investment in other fields, because of the increasing potential of the railways, etc.

II

COST AND PROFITABILITY

Initially, the economic implications of the project were studied for the International Union of Railways (UIC) by four national railway systems, German (DB), Swiss (CFF), Italian (FS) and French (SNFC). These four systems together account for 70 per cent of the total rolling stock of the ECMT countries intending to introduce automatic coupling generally. (British railways will only equip wagons intended for continental traffic, that is, up to a maximum of 10,000 when the Channel Tunnel is in use; the Spanish and Portuguese railways will only equip stock with interchangeable axles, or otherwise equipped for different gauges, to a maximum of 4,000, and the Irish railways do not intend to take part in the exercise.

The study began by a cost estimate of the coupler as such. The figure arrived at was roughly 2,500 French francs per unit or 5,000 francs per wagon. The size of production runs has a bearing on this point. If international agreement were reached on the grouping of orders and the adoption of purely economic rather than national criteria, the cost of the coupler could be minimised.

The number of vehicles to be equipped was estimated by each of the four

railways mentioned above according to its own requirement forecasts. To judge the order of magnitude of the expenditure required, alternative assumptions were taken into account; these differ on some aspects of the timing of the project and on some technical points, but both provide for the simultaneous equipment of a first batch of existing rolling stock —approximately one-half at Easter 1976.

Once this initial exploratory stage was completed, the rate of return on the investment was calculated by a similar method for all the ECMT countries concerned, but in this case the approach was different in that the purpose of the study was to evaluate the rate of return on the project for each of the alternative dates envisaged for the introductoin of automatic coupling.

These studies were intended to ascertain the most suitable date for proceeding with the investment, due regard being paid to the particular situation of each railway, and more especially the composition and structure of its wagon fleet. In order to do this, the savings and costs on both capital and operating account that would accrue if automatic coupling, (a) were introduced, and (b) were not introduced had to be discounted by reference to different time scales. To give a fairly average example the Swiss calculations show a return of 5.7 to 7.2 per cent on the assumption that automatic coupling is introduced in 1980.

The studies brought to light a number of important factors which provided the basis for the decision made by the Council of Ministers of the ECMT: first, the cost for all the countries concerned would be approximately six or seven thousand million French francs, a large outlay for which financial resources must be found; secondly — and this is even more important — the relationships between rates of return and alternative dates were sufficiently clearly established to provide a sound basis for negotiation, with a view to reaching a compromise acceptable to all the member countries of the Conference.

In the light of this information the date originally chosen (Easter 1976) was abandoned, and in June, 1970, the ECMT Council recommended that all wagons used in *international* traffic should be equipped simultaneously soon after April 1979; in the same resolution, the Council asked that conversion to automatic coupling for *internal* traffic should proceed at such a rate that the side buffers (which remain essential so long as some wagons are not yet equipped with automatic coupling) may be removed before Easter 1981. This will give more time to see the budgetary implications of the operation more clearly and to complete the studies on the functioning of the UIC coupling under the most strenuous conditions (climatic conditions in particular).

The introduction of automatic coupling is bound up with a whole series of other technical and economic issues. The fitting of a "mixed" coupling during the transitional period, which can be adapted to both the automatic and conventional systems, is one such problem. Another is the parallel development of the use of bogie wagon stock, which is expected to increase the return on automatic couplings since one bogie wagon is the equivalent of nearly two-axle wagons. This, again, is a step towards rationalisation; in a study on this topic the UIC points out that railway rolling-stock remains in service for some 30 years, and that the directives given now for wagon design concern vehicles which will still be in service after the year 2,000.

The governments of the ECMT member countries did not wish to make a decision involving so large a commitment for the future of the railways without leaving the door open for consultation with the east European countries with a view to wider agreement among railway administrations so as to ensure that equipment in this field remains technically compatible over the the whole Continent.

Sources and acknowledgements: The foregoing summarises a report in the latest issue of the *OECD Observer* (2 Rue Andre Pascal, 75 Paris: 16).

The moving finger writ...

JUSTICE DELAYED is justice denied. Mr Rustom Sohrab Nagarwala, surely can have no grievance on this score. To him justice came as a winged angel. Not that I grudge Mr Nagarwala the deal he has had or made. Any man who could make that solemn institution, the State Bank of India, look silly, as Mr Nagarwala had done, certainly deserves a big hand from such of us as have a sense of humour. I hope Mr Nagarwala will secure credits in full measure for exemplary behaviour in prison and come out very much earlier than the limit of the term to which he has been sentenced.

Incidentally, out of the five years of rigorous imprisonment which has been given to him, one year is for his failure to pay fines totalling Rs 4,000. There should be a great many people in this country who must have more than a sneaking admiration for Mr Nagarwala's exploit; banks, whether nationalised or not, are seldom the most popular of institutions. Perhaps some of these admirers of Mr Nagarwala may be willing to contribute to a fund for the payment of the fine imposed on him. If so, they many send their contributions to the Manager of this journal. I would be willing to get these collections started with a modest contribution of Rs 10 from me. Donations from Mr P. N. Haksar, Secretary to the Prime Minister, and Mr R. K. Talwar, Chairman of the State Bank of India, will be particularly appreciated.

The fighter side of the Nagarwala episode apart, what interests me is that other side of this incident which I may describe as "the under side". This journal had drawn public attention to some of the disturbing features of the Nagarwala-State Bank drama in an editorial last week. Justifiable concern has been shown in Parliament about some of the more curious aspects of this transaction. The way in which the prosecution of Mr Nagarwala in a New Delhi court was put through only underlines the extremely odd quality of the episode. Before we yield to the temptation to dismiss this affair on the note that "All's well that ends well", certain questions, I suggest, may be raised even if they may not be properly answered.

The court, which tried and sentenced Mr Nagarwala appears to have accepted every word of his confession as God's truth. Is there any precedent for such implicit faith being placed by the judiciary in the uncorroborated statements of a confessed cheat? Secondly, is it a normal or usual practice with courts in this land of ours that a criminal case of this magnitude is disposed of without witnesses being called or evidence taken to establish to the satisfaction of the public that adequate opportunity has been given to the whole truth to come out?

I am not suggesting that Mr Nagarwala has been railroaded; his culpability is only too clear. But I do say that the haste and the "hush hush", which characterised the criminal proceedings against him, were hardly calculated to calm the apprehensions created in the public mind about a state of affairs in which the State Bank of India could be swindled the way it was. I now await with some curiosity what the powers that be intend doing to save themselves from their remaining embarrassment in the person of the unhappy chief cashier of the State Bank of India in New Delhi.

Finally, the Nagarwala act, which so rapidly degenerated from the high drama of the colossal confidence trick to the melodrama of the chase and capture of the criminal and thereafter to the anticlimax of the courtroom farce, has lived up to the familiar saying that it is an ill-wind that blows nobody any good. The State Bank's loss in reputation has been the gain of the police of the capital in prestige. Mr D. K. Kashyap, Deputy Superintendent of Police, who has been promoted as Superintendent in recognition of the outstanding leadership he provided for the hounding of the culprit and the recovery of the stolen money has richly earned his elevation and he may perhaps, out of gratitude, like to donate more or less liberally to the Nagarwala fund I had proposed earlier.

* *

Mr S. K. Patil once compared Jawaharlal Nehru to a banyan tree 'under which nothing grows'. Nehru's daughter appears to be an even more forbidding or arborescent obstruction. I do not know whether there is a botanical phenomenon, which is hostile not only to vegetation beneath it but also to vegetation around. If there is any such tree, it is to this that I would compare Mrs Gandhi. Despite her triumph in the genera[illegible] seems to be as deeply eng[illegible] in playing a personal game of [illegible]tics of 'balance of power'. Her [illegible] in this respect seem to have diffe[illegible] effects on different persons or parties. As far as veterans in her own party are concerned, their feeling of insecurity has been aggravated. As for some of her political allies they are displaying a certain tendency to over-assertiveness as a 'defence' mechanism.

Thus, the DMK, for instance, has been protesting too much against the adoption by the centre of Hindi nomenclature for the ministers and ministries of the Government of India. Mrs Gandhi's response or rather reaction to this display of aggressiveness has been extremely interesting. She must be aware of the fact that the people of Tamil Nadu have become rather weary of the DMK's self-aggrandising exploitation of the Language issue. It is doubtful that the DMK commands a consensus in Tamil Nadu in favour of the excesses of its anti-Hindi stance. Mrs Gandhi, in the normal course, should therefore have been firm enough to be able to call the DMK's bluff. She however has chosen to bargain in a manner which clearly suggests that she desires to keep herself on the right side of a party which could possibly be useful to her in her continuing preoccupation with her personal scheme of checks and balances.

* *

On May 26, the Chief Minister of Bihar, Mr Karpoori Thakur, announced at a press conference that the state government had appointed Mr K. K. Datta, a retired Judge of the Patna High Court, as a one-man inquiry commission to go into the alleged defalcation of Rs 23 lakhs by Mr L. N. Mishra, union Minister of State for Foreign Trade, and Mr L. Choudhury, a former Irrigation Minister in the Daroga Rai Ministry. The defalcation it was alleged was related to the construction of an earth embankment of the Kosi project by the Bharat Sewak Samaj between 1959 and 1962 when Mr Mishra was chairman of the Samaj in Bihar. In these circumstances it is only proper that Mr Mishra should voluntarily cease be a member of the central government during the period the inquiry is in progress.

V. B.

Trade Winds

SUGAR DECONTROL

THE UNION government has decided to lift the control on the price, movement and distribution of sugar. This was announced by Mr Fakhruddin Ali Ahmed, the Minister for Agriculture, in the Lok Sabha on May 25, 1971. Following the removal of control there will be one uniform rate of excise duty on all vacuum-pan sugar at 30 per cent ad valorem. The distinction between levy and free sugar, that existed so long, has been abolished. The two effective rates of duty were 25 per cent ad valorem for levy sugar and 37.5 per cent ad valorem for free sale sugar. It was officially stated that the duty re-adjustment, was purely a consequence of the decision to decontrol sugar and has no revenue significance. Mr Ahmed told the Lok Sabha that the government's decision to decontrol sugar followed the "substantial increase" in production and large accumulation of stocks with the mills which could not be marketed easily because of the large availability of sugar to consumers at controlled prices. With the increase in production, he said, the price had come down. The minister stated that the government would regulate the release of sugar to wholesalers and ensure the minimum prices to the cane-growers. He said about 2.1 million tonnes of sugar had accumulated with the mills. Even with the increase in consumption from 2.6 million tonnes in 1968-69 to about 3.7 million tonnes, the mills would have a marketable surplus of 1.9 million tonnes. He said the situation in which controls were imposed "has materially changed." At present, in several parts of the country, the system of price control and distribution "is under great strain."

For assessment purposes the current tariff value of Rs 125 per quintal which was hitherto applicable to free sugar will now apply to all vacuum-pan sugar. While refixing the duty at 30 per cent, the existing ratio between basic and additional duties of excise which is 4 : 1 has been maintained; in other words, the basic excise duty will now be 24 per cent ad valorem and the additional excise duty in lieu of sales tax will be 6 per cent ad valorem making a total of 30 per cent ad valorem.

Mr S.S. Kanoria, President FICCI, welcomed the decision to remove all controls on price, distribution and movement of sugar. He expressed the hope that this step would lead to a better deal to the consumer who will now get timely supply of choice quality sugar. This will also help to increase consumption of sugar and reduction in the huge accumulation of stocks with the factories.

ALUMINIUM PRICES

Following the budget proposals for 1970-71, in which the excise duty on aluminium and its products was rationalised, involving levy of additional duty to the extent of about Rs 300 per tonne on an average, the two major aluminium producers notified increase in their ex-factory prices. They were advised by the government that their requests for price increase were under consideration and, pending decision thereon, they were requested not to increase the prices. However, as the companies increased the prices unilaterally, the government under the provision of the Essential Commodities Act, 1955, issued order controlling the prices of aluminium and its products at the pre-budget ex-factory levels. Simultaneously, the government constituted a working group on aluminium, under the chairmanship of Mr N.N. Wanchoo, Chairman, Bureau of Industrial Costs and Prices, to look into the price structure of the aluminium industry and allied matters.

The working group examined in detail the cost of production of four aluminium producers and three selected secondary manufacturers of fabricated products of the metal. The working group recommended a uniform selling price of aluminium ingots, wire bars and billets, properzi rods and rolled products based on the lowest prevailing price. This recommendation of the working group has been accepted by the government and the controlled prices on an ex-factory-cum-excise duty basis have been announced. Aluminium foils and extruded products have been excluded from the purview of price control, as recommended by the working group. Another salient recommendation of the working group, which has been accepted by the government, is that excise rebate of 7½ per cent of the price recommended for commercial grade ingot equal to about Rs 290 per tonne may be allowed to the two smaller producers to offset diseconomies arising from their lower scale of operation both in the matter of investment as well as operating costs.

DOLLARS IN EUROPE

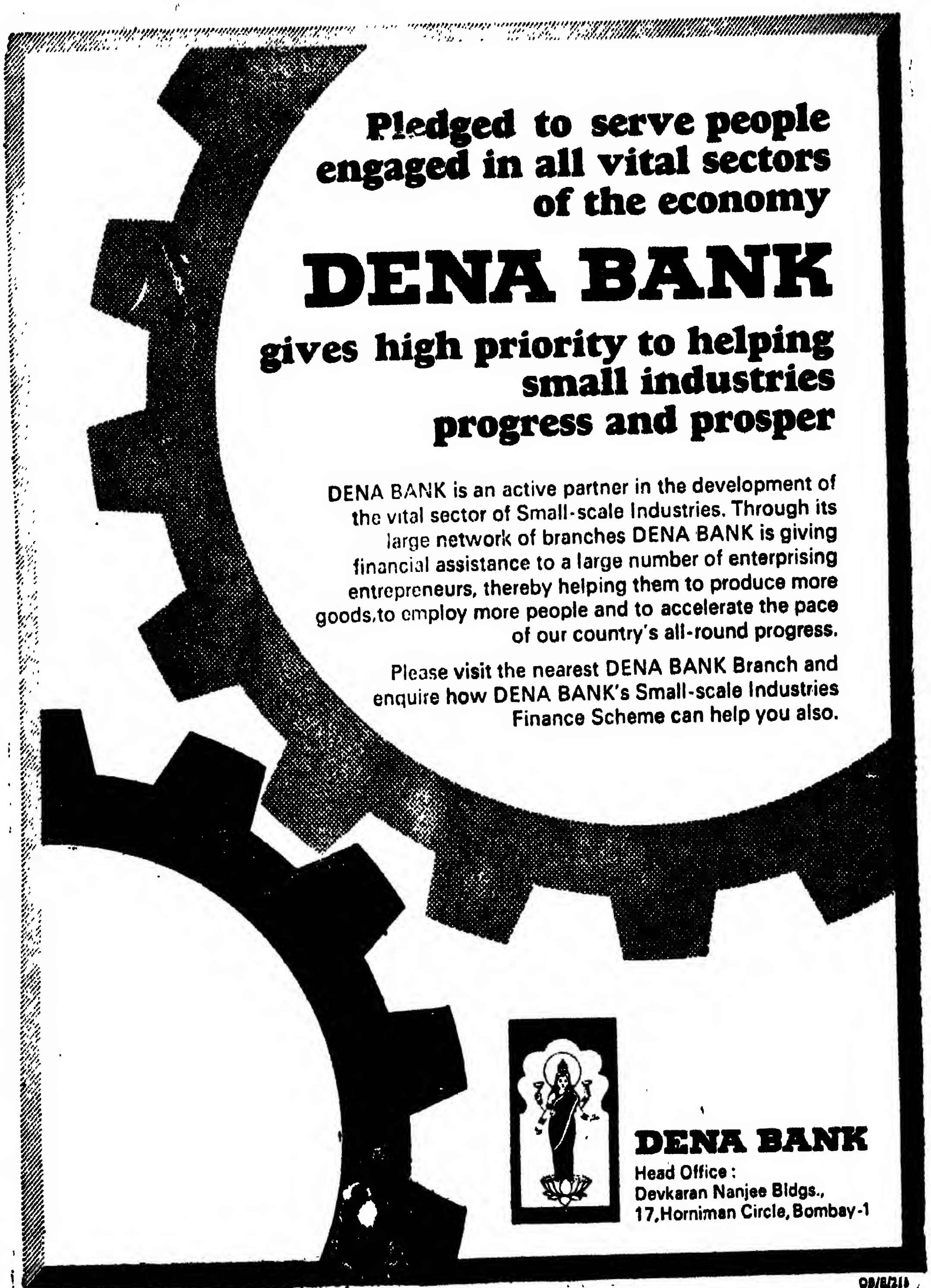
The US Treasury Department will offer securities to take 500 million dollars out of the European money market, replacing a similar issue by the Export-Import Bank of the United States that comes due June 1. The Treasury announced on May 24 that it would offer up to 500 million dollars of three-month certificates to overseas branches of American banks at an interest rate of six and three-quarters per cent. The certificate will mature on September 1, 1971. This action is designed to keep these funds from entering the official reserve holdings of European nations and thereby reduce the impact these added dollars would have had on the domestic economies and currency problems of the European nations. The Treasury's decision is in line with earlier statements that the United States would continue to cooperate with other countries in maintaining the stability of the international monetary system. Earlier, the Treasury Department and the Export-Import Bank of the United States issued in three separate offerings, 3,000 million dollars of securities to foreign branches of American banks. These special issues intercepted funds that would otherwise have probably landed in foreign central banks. In addition, the US Federal Reserve System—America's central bank—has revised a number of its regulations on bank borrowings of Euro-dollars—US dollars in the European money markets—to provide an incentive for banks to hold those dollars rather than invest them in the market and thereby contribute to monetary instability. The Federal Reserve and Treasury also worked together to prevent short-term interest rates from falling. Short-term rates, in fact, have risen moderately since mid-March.

MITHAPUR UNIT

The union government has finally cleared the Rs 56-crore Mithapur fertiliser project, sponsored by the Tatas, it is learnt. The project, which is a modified version of Tatas' earlier proposal to set up a Rs 200-crore giant complex, is understood to have been cleared by the Economic Affairs Committee of the Cabinet. The modified proposal envisages production of about 600,000 tonnes of complex fertilisers out of which 200,000 tonnes would be in terms of nitrogen.

CUT IN L.I.C. RATES

The Life Insurance Corporation announced recently reduction in premium rates under different group insurance schemes ranging from 20 per cent to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44 per cent in the various age groups. The revised rates applicable at a few age groups for a one-year renewable group term assurance plan are:

Attained Age	Premium per thousand		Percentage reduction compared to current
Years	Current	Revised	Rates
	Rs	Rs	Per cent
White Collared employees			
25	6.00	4.15	31
35	7.35	5.00	32
45	14.30	9.80	31
Industrial workers			
25	8.35	4.70	44
35	10.40	5.80	44
45	20.80	11.95	43
Group term assurance plan			
25	10.19	8.17	20
35	13.44	10.53	22
45	19.69	15.06	24

CREDIT CURBS ON COTTON

The working committee of the All-India Cotton Federation which met in Bombay recently under the chairmanship of Mr Madanmohan R. Ruia, has urged the authorities to relax credit restrictions on cotton. If this were not possible, the committee stated, at least the present margin of 60 per cent on bank advances should continue throughout the cotton season. It has urged the government to exempt certain categories of cotton from credit restrictions. The committee stated that the regulation to restrict the duration of non-transferable specific delivery contracts to one month only, introduced three months ago, have become a handicap in the smooth marketing of the crop and should be relaxed.

SUGAR MILLS' MEET

The annual general meeting of the Indian Sugar Mills Association will be held on June 9, 1971, at New Delhi. Mr S.K. Somaiya, the President of the Association, will preside over the meeting. Besides a review of the various important developments in the sugar industry during the outgoing year, certain resolutions having a bearing on the sugar industry such as, measures for maintenance of sugar production at the desired level, need for adequate bank credit to the sugar industry, partial decontrol of molasses, sugarcane development, increase in cane freight, and need for reduction in excise duty are likely to be taken up for discussion. The meeting will be inaugurated by Mr Fakhruddin Ali Ahmed, union Minister for Agriculture.

TRADE TALKS WITH U.A.R.

This country has suggested to the United Arab Republic two proposals for evolving a long-term solution to the problem of imbalance that crops up in the trade between them. The proposals were conveyed during the recent trade talks here between the two countries. The talks were inconclusive. The UAR delegation, which left for Cairo recently was expected to examine the suggestions put forward by this country.

SOVIET NEWSPRINT

This country has agreed to buy 40,000 metric tons of newsprint from the Soviet Union in 1971-72. An Indian government delegation headed by the Registrar of Newspapers, Mr K.N. Bamzai, recently signed the contract valued at nearly Rs 5.71 crores. The Soviet Union has for long been one of India's main suppliers of newsprint.

RAJASTHAN ATOMIC UNIT

The first unit of the Rs 60-crore Rajasthan atomic power project is expected to be commissioned in November. The project engineers are at present busy testing the prestressed concrete dome of the unit. The 230 mW unit will take another 10 months after its commissioning to go into full commercial operation in September 1972. The second unit with the same capacity will be commissioned by the end of 1973 and would go into full commercial operation a year later. The second unit is estimated to cost Rs 66 crores.

HELICOPTER UNIT

It is proposed to establish a separate factory in the Bangalore division of Hindustan Aeronautics for the manufacture of helicopters and light aircraft and to build up design capacity and technological know-how for indigenous development and production of helicopters. This was stated in the annual report of Hindustan Aeronautics Ltd., presented to the Lok Sabha recently.

EMPLOYEES' FAMILY PENSION

The union government has extended the period for exercising option to join the Employees' Family Pension Scheme 1971 and the Coal Mines Family Pension Scheme 1971 to August 31, 1971, following representations received from various quarters urging that more time should be allowed to workers to make up their minds. Under the two schemes employees who were members of provident fund before March, 1971, have to exercise their option within a period of three months from March, 1971.

NATIONAL INCOME

The provisional estimate of national income at 1960-61 prices for the year 1969-70 shows an increase of 5.3 per cent over the previous year against a rise of 2.4 per cent in 1968-69 over 1967-68. The net output from agriculture in 1969-70 registered a rise of 5.1 per cent over the preceding year. The corresponding increase in manufacturing sector (including large and small scale manufacturing) was 4.9 per cent. Per capita income increased by 2.9 per cent in 1969-70 as against a small rise of 0.2 per cent in 1968-69. The estimates of national and per capita income for the years 1960-61 to 1969-70 at current prices and 1960-61 prices as well as percentage increase in these estimates over the previous year at 1960-61 prices are given below:

NATIONAL INCOME

Year	At current prices		At 1960-61 prices		Percentage increase over the previous year in national income (at 1960-61 prices)	
	Total (Rs crores)	Per capita (Rs)	Total (Rs crores)	Per capita (Rs)	Total	Per capita
1960-61	13,294	306.3	13,294	306.3	..	..
1961-62	14,050	316.4	13,763	310.0	3.5	1.2
1962-63	14,873	327.6	14,045	309.4	2.0	—0.2
1963-64	17,094	368.4	14,845	319.9	5.7	3.4
1964-65	20,061	423.2	15,917	335.8	7.2	5.0
1965-66	20,621	526.1	15,021	310.4	—5.6	—7.6
1966-67*	23,903	482.9	15,243	307.9	1.5	—0.8
1967-68*	28,374	560.8	16,660	329.2	9.3	6.9
1968-69*	28,678	554.7	17,057	329.9	2.4	0.2
1969-70*	31,174	589.3	17,955	339.4	5.3	2.9

*Provisional.

Company Affairs

CENTURY SPINNING

THE CENTURY Spinning and Manufacturing Company Ltd has been exploring the prospects of expansion and diversification. Negotiations were going on for a joint venture in Indonesia for a composite textile mill. The cement project near Raipur in Madhya Pradesh was expected to start production within two years. The company has applied for an industrial licence to manufacture 30,000 tons each of chemical pulp and paper. The UP government has approved the proposal and has promised to make available to the company on lease timber forests. The company's application for the seamless pipe project still is under the consideration of the government. The company has been granted permission to expand the weaving capacity of tyre cord fabrics from 50 per cent to 75 per cent. Steps were being taken to implement the same. The renovation of the textile mills has been in progress. During 1970, 80 autolooms, nine ring frames and other ancillary machinery were replaced and a further 204 looms and 82 ring frames were being replaced this year. The company's exports of both rayon yarn and tyre cord amounted to Rs 1.65 crores in 1970.

BIHAR ALLOY STEELS

The equity issue of Bihar Alloy Steels Ltd, has been oversubscribed. There has been good response to the issue and the company closed the list on May 27. However, the preference issue was kept open till May 28.

SYNTHETICS AND CHEMICALS

The directors of Synthetics and Chemicals Ltd proposed to double equity dividend for 1970 to 12 per cent although there was a fall in gross profit to Rs 3.35 crores from Rs 8.43 crores following a decline in net sales to Rs 13.14 crores from Rs 18.92 crores. Out of the gross profit, depreciation claimed Rs 1.81 crores and development rebate reserve Rs 2.01 crores leaving a surplus of about Rs 3 lakhs against Rs 1.79 crores for the previous year. After adjustments, surplus amounted to Rs six lakhs out of which a sum of Rs five lakhs has been transferred to the general reserve. The company's production of synthetic rubber was higher at 30,339 tonnes compared with 24,590 tonnes in 1969 but the sales were only marginally higher at 27,749 tonnes against 26,170 tonnes. The proposed dividend amounting to Rs 68.97 lakhs would be paid out of general reserve.

ANDHRA BANK

The banking industry revealed remarkable resilience in adapting itself to the fulfilment of the new social objectives set for it after the introduction of social control and nationalisation of 14 major banks, stated Mr K. Gopal Rao, Chairman, the Andhra Bank Ltd, in his statement at the annual general meeting held recently. He added that the Andhra Bank along with others took to branch expansion as a challenge and the number of branches of the bank has almost doubled after June 30, 1968. Out of the 223 branches, as many as 159 are situated in rural and semi-urban areas and at 68 of these places the bank has an exclusive field. Mr Rao pointed out an important innovation during the previous year has been the starting of the system of cluster or satellite or maket branches in Andhra Pradesh. Restricted banking service which is sufficient for the villagers' needs is provided to the village during two days in a week for a limited number of hours. On the other four working days in the week the villagers can deal with the parent office situated in the market town a few miles away. In this manner the same staff can serve a group of 8 or 9 villages.

Mr Rao pointed out that deposits of the bank increased from Rs 52.31 crores to Rs 65.05 crores during the year showing an increase of 24.3 per cent. The number of deposit accounts increased from 332,000 to 418,000 in 1970. The bank's advances increases from Rs 35.45 crores to Rs 46.27 crores showing an increase of 32.52 per cent. The advances to the priority sector at Rs 18.64 crores amounted to 40 per cent of the total advances. Agriculture accounted for Rs 9.85 crores and the number of farmers financed was 65,000. Advances to small-scale industry increased from Rs 3.69 crores to Rs 7.01 crores. The number of units assisted increased from 628 to 950.

RONEO VICKERS

Roneo Vickers India Ltd is entering the capital market on June 21 with a public issue of Rs 20 lakhs. It has a paid-up capital of Rs 29.26 lakhs and is now offering to the public 200,000 equity shares of Rs 10 each at par. The directors expect to pay a reasonable dividend. For the year ended November 30, 1970, they paid a dividend of 10 per cent. The proceeds of this issue will be utilised to expand the production of the company's existing range of franking machine, business systems and furniture and undertake the manufacture of certain other sophisticated business machines and systems such as duplicators, photo-copiers and mail room equipment. The company has a manufacturing unit at Faridabad and expects to set up another unit in the foreseeable future.

DUNLOP

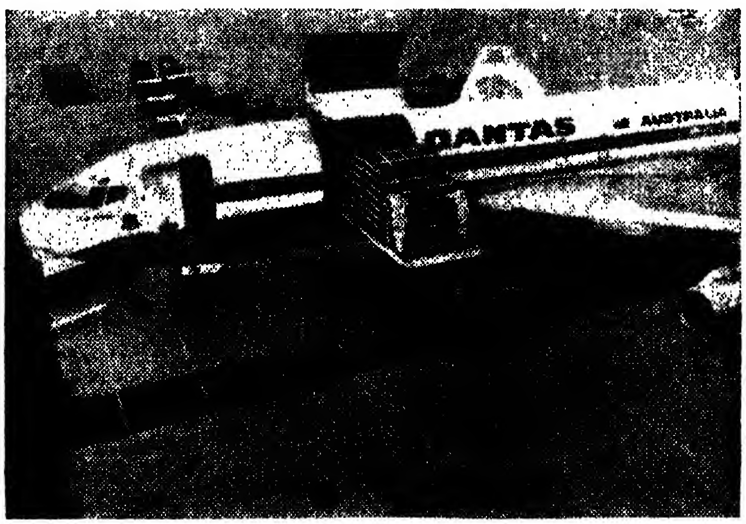
A new truck tyre, which will considerably help the Indian road transport industry, has just been introduced by Dunlop India. Manufactured in India, the Highway 105 is a product of the international Dunlop tyre technology. A spokesman of the company stated that this new rayon tyre was being launched in the market after being road tested over 80 million kilometres in India. No other tyre has ever been so extensively tested and developed in this country before commercial introduction. Based on the most modern principles for cross ply tyre concept and design, the Dunlop Highway 105 has a flatter and wider trend with a broad centre rib and deep pattern ensuring very high mileage.

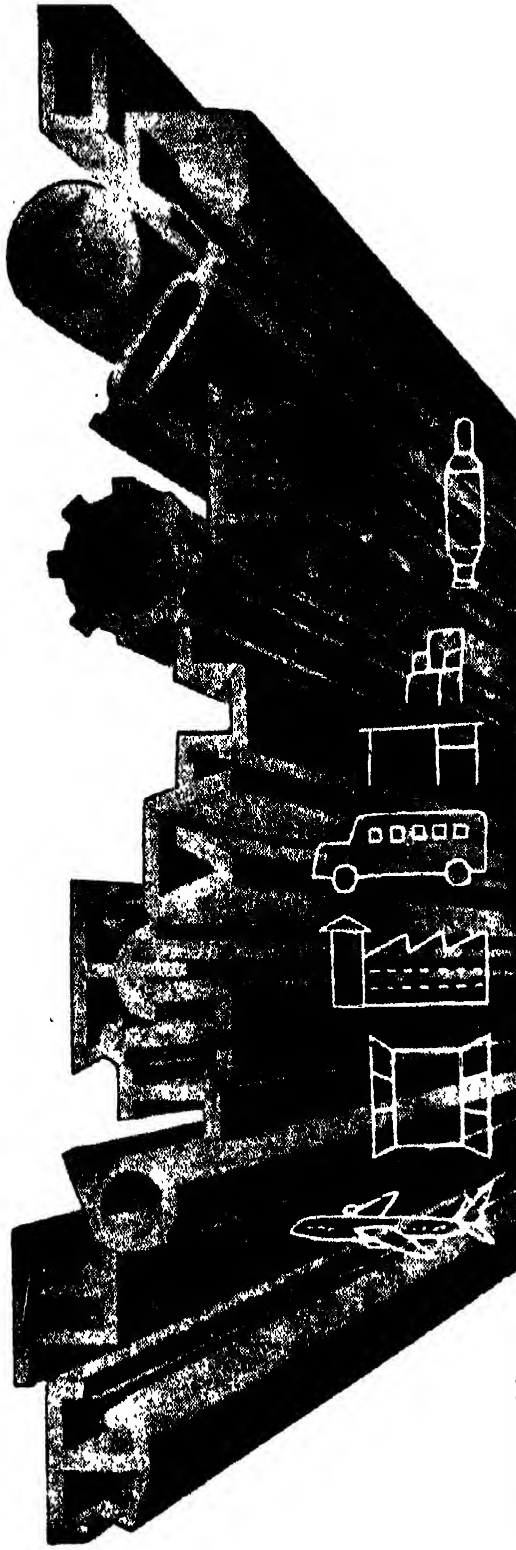
OIL INDIA

The union government has approved the proposal of Oil India to establish a plant to process its reserves of natural gas into liquefied petroleum gas (LPG) for use as household fuel. Oil India's reserves of natural gas are estimated at 40,000 cubic metres in its fields in Assam. The consumers of the present production are the Assam State Electricity Board and the Namrup plant of the Fertiliser Corporation of India. The off-take by these two principal consumers and by other minor industries are estimated at 240 million cubic metres annually which is far less than the committed quantities. A considerable quantity of the unutilised production has to be flared. The LPG production of Oil India will be marketed by the Indian Oil Corporation which distributes Indane.

ELGI RUBBER PRODUCTS

The Elgi Rubber Products Limited has entered the capital market on May 31, 1971, with an issue of Rs 15 lakhs. Out of the present issue, 26,500 equity shares of Rs 10 each have been reserved for firm allotment to the promoters and their friends. As many as 73,500 equity





shares of Rs 10 each and 5,000 (9.5 per cent) cumulative redeemable preference shares of Rs 100 each (free of company's tax but subject to deduction of taxes at source at prescribed rates) have offered for public subscription. The public issue is fully underwritten. The issue was to close on June 14, 1971, or earlier at the discretion of the directors, but not before June 3, 1971. The company has an authorised capital of Rs 20 lakhs and subscribed and paid-up capital of Rs five lakhs. The company was incorporated primarily to carry on business as manufacturers of reclaimed rubber and other rubber products. It has received an industrial licence to produce 2,500 tons of reclaimed rubber per annum and proposes to put up a plant near Chingleput town in Tamil Nadu. Substantial increase in demand for reclaimed rubber is expected due to expansion of capacities of major tyre and battery container manufacturers who use reclaimed rubber. The company has received an import licence for import of machines worth Rs 11.24 lakhs and the factory is expected to go into production early in 1972.

PREMIER SYNTHETIC

Premier Synthetic Processors Ltd, proposes to enter the capital market shortly with a public issue of Rs 14.80 lakhs made up of Rs 9.80 lakhs in equity shares of Rs 10 each and Rs 5 lakhs in 9.5 per cent cumulative redeemable preference shares of Rs 100 each. The entire issue will be underwritten. Incorporated in October, 1970 the company proposes to set up a modern synthetic processing plant in Thana-Belapur industrial area near Bombay. A detailed preliminary feasibility report has been prepared by Messrs Gherzi Eastern Ltd, Bombay, a firm of textile consultants and having head office in Switzerland. Initially the company proposes to undertake dyeing, heat setting and finishing of various synthetic fabrics. After this phase is over it proposes to go in for screen printing. The total cost of the project is estimated at Rs 60 lakhs which will be met by share capital already taken up by promoters, directors and associates (Rs 10.20 lakhs), public issue (Rs 14.80 lakhs), rupee loan from the IFC (Rs 33.34 lakhs) and foreign currency loan from IFC (Rs 1.66 lakhs). Production is expected to commence by March 1972.

COROMANDEL FERTILISERS

Coromandel Fertilisers Ltd has received an industrial licence to raise its plant capacity from 260,000 to 287,000 tonnes of complex fertilisers and from 16,500 tonnes to 43,400 tonnes of urea per annum. The capital expenditure on expansion is estimated to cost Rs 5.3 crores, including a foreign exchange component of Rs 1.73 crores. The company has started negotiations with financial institutions for loans to finance its expansion. Meanwhile, the company's working during 1970 has resulted in a gross profit of Rs 5.01 crores against Rs 4.94 crores for the period of 15 months ended December 31, 1969. After providing Rs 4.46 crores for depreciation, the company revealed a net profit of Rs 55.50 lakhs against a loss of Rs 62.38 lakhs. After adjustments, a deficit of Rs 3.97 crores was carried forward against a loss of Rs 4.52 crores brought in. The company's sales during 1970 amounted to Rs 25.11 crores against Rs 26.27 crores in 1968-69.

BOMBAY OXYGEN

The directors of Bombay Oxygen Corporation Ltd have proposed to step up equity dividend from Rs 8 for 1969 to Rs 10 per share for 1970. The company's gross profit has increased from Rs 21.94 lakhs to Rs 23.39 lakhs. There was an increase in sales from Rs 52.13 lakhs to Rs 62.09 lakhs. The company's working for the first quarter of the current year has been encouraging and it has been planning a substantial expansion of activities. It has already secured letters of intent in respect of its proposal to establish new units at Kurla and Kalwa plants of Mukand Iron and Steel Works Ltd, to meet the latter's needs. The government has also allowed it to expand the Mulund unit. With this expansion the management expected improved results in future.

SOUTHERN PETROCHEMICAL

Southern Petrochemical Industries Corporation Ltd. a new company promoted to manufacture complex fertilisers at Tuticorin, will enter the capital market with a public issue of shares worth Rs seven crores in October or November. The company proposes to set up facilities for the daily manufacture of 1,100 tonnes of ammonia, 1,600 tonnes of urea, 600 tonnes of DAP/NPK, 470 tonnes of sulphuric acid and 65 tonnes of phosphoric acid. The total capital outlay on the project is estimated at Rs 63.50 crores including a foreign exchange component of Rs 29 crores which will be raised from Japan and the UK. Based on the current fertiliser prices the total turnover of the company would be around Rs 62 crores per year. The company has an authorised capital of Rs 35 crores out of which it will issue in all shares worth Rs 16 crores comprising Rs 12 crores in equity shares and Rs four crores in preference shares. It expects loans of Rs 40 crores from financial institutions including the government foreign exchange credit. The production will start in March or April 1974 and reach full capacity a year thereafter.

MAZAGON DOCK

The actual production of Mazagon Dock, a public undertaking, touched the figure of Rs 13.77 crores during 1969-70 against the target of Rs 13.36 crores, according to the annual report presented to the Lok Sabha recently. There was an increase of 28 per cent over the previous year's production worth Rs 10.71 crores. The ship-repair turnover during the year was the highest since the take-over of the company by the government in 1960. The company carried out repairs to 543 ships during the year with a total tonnage of 4.2 million which included 222 foreign ships.

HYDERABAD ASBESTOS

The directors of the Hyderabad Asbestos Cement Products Ltd have proposed an equity dividend of 10 per cent for the year 1970. The dividend was skipped in the preceding year and for 1968 a dividend of 10 per cent was declared. Sales in terms of value were higher by 48 per cent. Considering the

present market trend for the company's goods, the turnover during the current year was expected to be better than that of 1970. The gross profit went up from Rs 21.71 lakhs to Rs 61.29 lakhs. The provision for depreciation amounted to Rs 34.44 lakhs. The directors transferred Rs 3.10 lakhs from the development rebate reserve. A sum of Rs 29.99 lakhs was transferred to the general reserve for doubtful or bad debts. The proposed equity and preference dividends amounting to Rs 14.78 lakhs were to be paid out of the general reserve. In 1969 the company provided Rs 32.97 lakhs for depreciation after transferring Rs 11.30 lakhs from the general reserve.

FILM FINANCE CORPORATION

The Film Finance Corporation has earned a small profit of Rs 16,547 during the year ended March 31, 1970. The Film Finance Corporation was set up in 1960 as a limited company to finance the production of films on social themes of high artistic merit. Up to the end of March 1970, the Corporation had received 304 applications for loans. Of these 82 were sanctioned. The total amount disbursed was Rs 172.02 lakhs. The Film Finance Corporation has decided to devote its resources primarily to low-budget films of high quality. In view of its promotional role, the Corporation has decided to extend its activities to the inter-related fields of distribution and exhibition of films. A distribution office has already been set up at Jullundur for the territory of Punjab.

RECORDS AND STATISTICS

Railway Budget : 1971-72

PRESENTING THE railway budget for 1971-72 in the Lok Sabha on May 24, the Minister of Railways, Mr K. Hanumanthaiya, proposed adjustments in freight rates on a selective basis and marginal increases in passenger fares. The freight classification of commodities now charged at class level 45 and below is proposed to be raised by one step. Commodities now charged at class 25 (for wagon loads), which is the lowest class, will be charged at class 27.5, those charged at class 27.5 will be charged at class 30, and so on. Some of the commodities falling in these categories are: ores, organic manures, oilcakes, limestone, gypsum, salt, chemical manures, pig iron and cement. Foodgrains and certain export iron ores from Kiriburu and Bailadilla have been exempted from the proposed revision.

Mr Hanumanthaiya said that adjustments would broadly mean an increase in rates of 8.9 per cent in respect of commodites now charged at class 25, the increase gradually getting reduced to 5.3 per cent for commodities now charged at class 45. These low-rated commodities, he said, accounted for the bulk of the losses of the Railways. Classifications for 'smalls' that is, consignments less than wagon loads, would be correspondingly refixed. This proposal would bring in an extra revenue of Rs 13.7 crores for the full year.

Mr Hanumanthaiya proposed an increase in freight rates for coal and coke. He said that the increase would be in such a manner that the freight rates would cover the cost of transporting coal up to a thousand kilometres. The gap between the cost and rates beyond this distance would get slightly reduced. He said that the cost of haulage of coal was covered up to a distance of 550 kilometres at the existing level of rates. The movement of this commodity for distances beyond had become uneconomic.

Simultaneously with the proposed increase. Mr Hanumanthaiya announced a freight discount of two per cent for all distance if the traffic in coal was offered for movement in train loads from one station to one destination station on a single forwarding note. There would also be a rebate in the freight rates of coal offered for movement for 500 kilometres and above during the slack season—between June and September. The rebate would vary from 50 paise per tonne for distances beyond 500 kilometres to one rupee per tonne for distance beyond 1500 kilometres.

The proposal, after allowing for discount and rebate, was expected to yield an extra revenue of Rs 6.5 crores for a full year. The Minister of Railways said that even at the revised rates, the loss on the transport of coal would be Rs 5.50 crores.

Mr Hanumanthaiya also proposed an increase in rates for such categories of iron and steel, as rope wire, wire net, hammers and hinges and steel materials like rods, bars and plates by placing them at a class one step higher than at present. The 'smalls' classifications would be refixed to bear the same relationship with the corresponding wagon-load classifications. The increase was expected to yield an additional revenue of Rs 1.6 crores.

The Minister of Railways said, that these freight rates would bring in a total revenue of Rs 12.80 crores in a full year but the total revenue deficit was Rs 33.12 crores. The gap had to be closed and in doing so he had no alternative but to raise passenger fares, spreading the burden on all passengers. There had been no increase in third class passenger fares for the last three years even though the cost of operation had increased by 15 per cent. He proposed an increase in passenger fares on a modest scale.

The proposals are :

No change in any class of travel for the first 15 kilometres.

No change in respect of season tickets. For distances between 16 and 30 kilometres, an increase of five paise per ticket in their ordinary fare and of 15 paise per ticket in third class mail/express fares. For distances between 31 and 50 kilometres, an increase of 10 paise and 20 paise respectively for third class ordinary and mail/express travel, and so on. The maximum increase in a third class ordinary ticket will be of only

RAILWAY BUDGET AT A GLANCE

(Rs crores)

	Actuals 1969-70	Revised estimates 1970-71	Approximates 1970-71	Budget estimates: As presented in March 1971-72	Budget estimates: As now proposed
Gross traffic receipts	951.28	1,004.00	1,001.93	1,044.00	1,070.25
Ordinary revenue working expenses (net), i.e. after taking credit for recoveries	684.94	731.76	730.41	765.44	765.44
Appropriation to Depreciation Reserve Fund from revenue	95.00	100.00	100.00	105.00	105.00
Appropriation to Pension Fund	10.00	15.00	15.00	15.00	15.00
Net miscellaneous expenditure (including cost of works charged to revenue)	14.78	15.12	14.59	17.91	17.91
Total	804.72	861.88	860.00	903.35	903.35
Net Railway revenue	146.56	142.12	141.93	140.65	166.90
Dividend to general revenues	156.39	165.81	165.81	173.77	173.77
Net Surplus (+)/Shortfall (—)	—9.83	—23.69	—23.88	—33.12	—6.87
Operating Ratio	83.0%	84.3%	84.4%	84.8%	82.7%

25 paise for all distance above 200 kilometres and of Re 1 in a third class mail/express ticket for all distances above 1000 kilometres.

The Minister explained that a third class express ticket from Delhi to Bombay or Calcutta or Madras or longer distances would cost only one rupee more. The proposed increases in third class fares were expected to produce an extra revenue of Rs 11.60 crores.

Upper Class Travel

For upper class travel, Mr Hanumanthaiya proposed the following increases:

An increase varying from 50 paise for the distance zone 16—30 kilometres to Rs 2 for distances beyond 1000 kilometres in respect of third class air-conditioned chair car and second class ordinary and mail/express fares.

An increase varying from 50 paise for the distance zone 16—30 kilometres to a maximum of Rs 3.50 for distances beyond 1000 kilometres in respect of first class fares.

An increase varying from Re 1 for the distance zone 16—30 kilometres to a maximum of Rs 7 for distances beyond 1000 kilometres in air-conditioned 1st class fares. These increases are expected to bring in Rs 1.60 crores.

Mr Hanumanthiaya said that the total effect of the proposals would be a revenue of Rs 35 crores in a fully year. Since the revised rates could take effect only from July 1 this year, the increase in receipts in the current financial year would be Rs 26.25 crores. This would still leave a deficit of Rs 6.87 crores in the current year. He said, he proposed to leave this deficit uncovered. The efforts he proposed to make along with railwaymen of all classes to effect economy and improve efficiency would be directed to wipe out this deficit. He had already initiated action to improve the working of the Railways so as to achieve better realisations in earnings and economy in expenditure. He recently had discussions with general managers of all zonal railways and formulated general guidelines as well as specific financial objectives for the year. "Given normalised conditions of working, there is reason to be optimistic that the uncovered deficit will be met by our extra effort," Mr Hanumanthaiya added.

Mr Hanumanthaiya said, that the budget estimates for the current financial year were based on the revised estimates of last year at the level of fares, freights and expenses existing then. The traffic trends in April were slightly adverse. But no change seemed to be necessary in the budget estimates. The total gross receipts had been kept at Rs 1044 crores, that is, about Rs 42 crores more than the approximates for 1970-71. Similarly, the estimates of working expenses in budget estimate held good. (Mr Hanumanthaiya had then estimated the revenue expenditure at Rs 903.35 crores and the dividend payable to general revenues at Rs 173.77 crores, leaving a revenue deficit of Rs 33.12 crores).

The Minister of Railways said, the prospects for the year did not seem to have improved since he presented the interim budget. The total gross traffic earnings during April were short by Rs 1.63 crores over the proportionate budget target of Rs 86.89 crores. If this trend continued, it might not be possible to reach the level of earnings forecast in the interim budget. The Eastern and South Eastern Railways, which accounted for 60 per cent of the tonnage carried by the Indian Railway system as a whole and held 40 per cent of the total number of broad gauge wagons, continued to cause anxiety. Their very functioning was being hampered by daily dislocation of train services. Hundreds of wagons remained immobilised due to theft of brake beams, bearings and other fittings. Goods trains had to be stopped for several hours in busy sections of the eastern region on account of the theft of overhead wires. The two Railways should normally be loading a minimum of 6500 coal wagons daily in the Bengal-Bihar coal-fields. In the last few months, they had hardly been able to load 5,500 coal wagons. It was for this reason that coal supplied for industry, power generation and brick kilns had been unsatisfactory. Movement of foodgrains had also been affected.

Mr Hanumanthaiya further said, preventive and punitive measures were necessary to restore normalcy in the eastern region. Armed Railway Protection Force unit had already been deployed in specified pockets for intensive patrolling of the track. He had been requesting chief ministers of West Bengal and Bihar to help and co-operate in effectively putting down organised thefts and violence. He had also been discussing with his colleagues in other ministries the question of co-ordinating efforts.

The Minister of Railways said that the financial performance of the Railways suffered from certain other handicaps. The Railways were saddled with some social burdens. They sustained a loss of Rs 8 crores on unremunerative branch lines. The loss on passenger traffic was of the order of Rs 59 crores. The passenger traffic fare was below cost. Suburban travellers in Bombay, Calcutta and Madras who used cheap monthly and quarterly season tickets virtually enjoyed a subsidy of Rs 12 crores.

Referring to the losses suffered by


BUSY!
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BUSY!!!
still fresh every time
in
GWALIOR SUITING
GWALIOR FABRICS
GOOD FOR WEAR ROUND THE YEAR

the Railways on account of the transportation of low-rated commodities, Mr Hanumanthiaya said that their preponderence in the midst of revenue-earning traffic was getting accentuated. The originating tonnage of these commodities increased by 60 per cent between 1960-61 and 1969-70 while traffic in the rest of the commodities increased by only 16 per cent. The loss in the transportation of foodgrains and pulses came to Rs 17.5 crores, of coal to Rs 12 crores, of fodder and oilcakes to Rs 5.8 crores and of ores to Rs 3.9 crores. In 1970-71, the total loss on the transportation of these and other bulk commodities came to Rs 52 crores.

Mr Hanumanthiaya said these losses might be termed as social responsibilities but even so there was room for re-thinking on the extent of the Railways' share. The Railways' income must be able to meet the annual expenditure. The cost of operation was increasing annually, creating a big lag between the income realised from freight rates and passenger fares and working expenses. Expenditure on staff which accounted for 60 per cent of the working expenditure had gone up by 72 per cent since 1963-64. The price of coal had gone up by 47 per cent and of electricity and diesel oil by 27 per cent each. The cumulative effect had pushed up the weighted index of cost of operation by 60 per cent. During the same period passenger fares and freight rates had increased only by 19.6 per cent and 22.7 per cent respectively. The Railways were thus recovering only 36 per cent of the increase in the cost of operation.

Fourth Plan

Mr Hanumanthiaya said, that the Plan had forecast 212.35 million tonnes of originating goods traffic in the first year. But actual materialisation was only 207.9 million tonnes. The target for 1970-71 was revised from 224.6 million tonnes to 217 million tonnes. Even this anticipation was upset because of deterioration in the law and order situation, strikes and bundhs in the industrial belt of the country and difficulties in the working of steel plants in public and private sectors. Actual traffic was 199 million tonnes, a fall of 18 million tonnes. It, therefore, became necessary to scale down the physical target from 265 million tonnes for the fourth five-year Plan to 240.5 million tonnes in consultation with the Planning Commission. The Plan outlay was reduced from Rs 1525 crores to Rs 1275 crores. The Plan outlay for 1971-72 had accordingly been reduced from Rs 308 crores to Rs 280 crores. Zonal Railways had been directed to reduce inventories and dispose of scrap and released material expeditiously, thereby eliminating as much dead capital as possible.

Eastern Coal Belt

The Minister of Railways said much of the developmental expenditure on line capacity works and electrification in the earlier Plans was incurred in the eastern coal-steel belt area. The traffic pattern having changed, the Railways had now to develop the north-south routes, covering Delhi-Bombay and Bombay-Ahmedabad routes of the Western Railway and Jalarpet-Olavakkat section of the Southern Railway. Mr Hanumanthaiya said that mid-term appraisal of the fourth Plan was in progress. The three new steel plants would require synchronous development of the Railways to serve them. It was also likely that as a result of the revival of economy there might be an upsurge in traffic demands in various parts of the country. "We are constantly and continuously reviewing the position in consultation with the Planning Commission and the economic ministries concerned. The Railway Plan is a flexible one and as and when new works are needed by traffic demands, the necessary resources will have to be found," he added.

Referring to gauge conversion. Mr Hanumanthiaya said, that the existing four gauges were a drag on the country's progress. This drag had to be done away with as soon as possible. The Railways had drawn up a 15-year perspective Plan to convert 3000 route kilometres into broad guage at a cost of Rs 175 crores. A sum of Rs 15 crores had been included in the current Plan out of which Rs 7.53 crores had been spent.

Stressing the need for the construction of under-bridges and over-bridges to avoid accidents and to ensure smoother and speedier trains and road traffic, Mr Hanumanthaiya said that he proposed to launch a campaign to build as many bridges as possible. For this he would need the co-operation of the state governments as the construction cost had to be borne by the Railways and the state governments on a 50:50 basis. State governments had already been addressed. In the current financial year, the Railways would contribute Rs 2.28 crores towards the Railways Safety Works Fund and with this there would be Rs 10.83 crores in the fund. He would be happy if this entire amount was spent this year on the construction of bridges.

At the time of presentation of the interim budget in March last, the revised estimates for the year 1970-71 showed a short-fall of Rs 23.69 crores. The final figures of financial results of 1970-71 would become available in August. Preliminary figures are, however, running quite close to the revised estimates. The loadings during the two months of February and March 1971 were short by about one million tonnes over the corresponding period of the preceding year. In the revised estimate for 1970-71, the level of revenue-earning goods traffic was expected to be 4.3 million tonnes short over the actuals of 1969-70. Now, it is likely to be 5.2 million tonnes less. Despite lower loadings, the earnings under goods showed an improvement of about Rs 3.31 crores primarily because of continued operation of two favourable factors, viz., better lead of freight traffic and a larger proportion of high-rated traffic in the overall traffic carried. There has been a shortfall of Rs 3.87 crores under 'passengers' because of drop in passenger traffic during last two months of the year and Rs 2.45 crores under 'sundries', but these have been made good by an increase of Rs 2.61 crores under 'other coaching' and Rs 3.31 crores under 'goods'. 'Ordinary working expenses' on the other hand are Rs 1.35 crores less than the revised estimates. Taking all factors into account, the shortfall for 1970-71 is expected to be Rs 23.88 crores—a marginal variation of Rs 19 lakhs over the revised estimates.

Interim Estimate

The interim budget estimates from 1971-72 presented in March last on the existing level of rates and fares showed a shortfall of Rs 33.12 crores. The revision in rates and fares now proposed will generate Rs 35 crores in a full year. As the revised rates and fares will be operative for a period of nine months during the current year, the additional receipts would be Rs 26.25 crores; Rs 9.75 crores under 'passengers' and Rs 16.50 crores under 'goods'. This will bring down the shortfall to Rs 6.87 crores. The balance deficit has been left uncovered.

The budget for 1971-72 in physical terms assumes an additional nine million tonnes of revenue originating 'goods' traffic and three per cent increase in 'passenger' traffic. The 'working expenses' in the net are Rs 33.68 crores more than the revised estimates of last year. The extra provision has been made to meet extra obligation foreseen in the next year such as 'staff costs' by way of 'annual increments and allowances' etc. (Rs 17.53 crores); 'fuel' (Rs 7.80 crores) for carrying additional traffic; 'repairs and maintenance' (Rs 5.03 crores) and 'miscellaneous items' (Rs 3.32 crores). The

Railways will be appropriating Rs 105 crores to depreciation reserve fund during 1971-72 so as to contribute Rs 525 crores during the fourth five-year Plan period. The Plan places this obligation on the Railways for financing the cost of replacements and renewals of assets due to retire in the quinquennium. The appropriation to 'pension fund' has been kept at the same level of Rs 15 crores as that for the last year. The 'capital-at-charge' would increase from Rs 3,322 crores to Rs 3,473 cores by the end of 1971-72.

The Railways' expenditure on financing works of developmental nature, such as, passenger amenities, staff quarters and unremunerative operating improvements would cost Rs 20 crores during 1971-72 against Rs 18 crores in 1970-71. Since the Railways are not showing any surplus to feed the development fund, this expenditure would be met by obtaining loans from the general revenues. The Railway Development Fund will, in the aggregate, owe an amount of Rs 87.27 crores to the general revenues at the end of 1971-72.

The liability of the Railways for payment of dividend to the general revenues on capital investment will rise from Rs 165.81 crores in 1970-71 to Rs 173.77 crores in 1971-72. Since the net revenue will fall short of this liability by Rs 6.87 crores, a loan will have to be taken which would increase that indebtedness to the general exchequer under this head to Rs 38.83 crores by the end of 1971-72. The total indebtedness of the Railways to the general revenues under the two sets of loans would thus amount to Rs 126.00 crores (Rs 87.17 crores plus 38.83 cores) at the close of 1971-72.

EFFECT OF PROPOSED INCREASES

Proposed increase in fares per ticket

(Rs)

Class of travel	Distance Zone 1—15 KMS.	16—30 KMS.	31—50 KMS.	51—100 KMS.	101—200 KMS.	201—500 KMS.	501—1000 KMS.	1001 and above
III Ordinary	No change	0.50	0 10	0.15	0.20	0.25	0.25	0.25
III Mail & Express	—do—	0.15	0.20	0.25	0.25	0.50	0.75	1.00
AC Chair Car	—do—	0 50	0 50	1.00	1 00	1.50	2.00	2.00
II Ordinary	—do—	0.50	0.50	0.50	0 50	1.00	1.50	2.00
II Mail & Express	—do—	0.50	0.50	1.00	1 00	1.50	2.00	2.00
I class	—do—	0.50	0.50	1.00	1.00	2.00	2 50	3.50
Air conditioned class	—do—	1.00	1.00	2 00	2.00	4.00	5.00	7.00

Proposed increase in Freight Rates

Class Present	Class Proposed	Commodity	Remarks
25	27.5	Oilcakes (fodder)	The prices range from Rs 41.50 to Rs 110.00 per quintal while the enhancement in the rail freight for an average lead of 714 kms is only 22 paise per quintal. The increase forms only 0.20 per cent to 0.53 per cent of the prices.
35	37.5	Salt	The wholesale price of salt is 18 paise per kg. The enhancement in the rail freight comes to only 0.35 paise per kg at the average distance of 1241 kms i.e. the increase forms only 1.94 per cent of the price.
35	37.5	Iron ore	The price of iron ore is about Rs 60.59 per tonne. The enhancement in rail freight at the average lead of 337 kms forms only 1.98 per cent of the price of the ore.
35	37.5	Gypsum	The price of gypsum is about Rs 93.50 per tonne inclusive of freight charges. At an average distance of 1371 kms the increase in rail freight works out to only 3.96 per cent of the price of the commodity.
37.5	40	Chemical manures division 'B'	The prices of Super Phosphate, Ammonia Sulphate and Calcium Amonium Nitrate are Rs 21/-, Rs 27/- and Rs 24.25 per bag of 50 kgs respectively. The increase at an average lead of 747 kms works out to about 11.5 paise per bag of 50 kg.
40	42.5	Manganese ore other than export.	The prices of first and second grades of manganese ore are Rs 197.87 and Rs 110.81 per tonne respectively. The incidence of increase in rail freight at an average distance of 317 kms works out to Rs 1.20 per tonne or 0.16 per cent and 1.08 per cent respectively of the price for first and second grade Manganese ore.
40	42.5	Cement	The price per bag of 50 kg cement is about Rs 12.24 and that of a drum of 250 kg is about Rs 64.04. The increase in rail freight at the average distance of 583 kms comes to about 0.82 per cent in the case of 50 kg bag and 0.78 per cent in the case of 250 kg drum; in other words, the increase in rail freight is of the order of 10 and 50 paise respectively.
42.5	45	Pig Iron	The prices of basic and foundry grades of pig iron are about Rs 410/- and Rs 515/- per tonne respectively. The incidence of increase in rail freight at an average distance of 755 kms expressed as a percentage of prices, stands at 0.56 per cent and 0.45 per cent respectively.
45	47.5	Urea (as chemical manures division 'A').	The price of a 50 kg bag of Urea is about Rs 45/-. The increase in rail freight for an average distance of 844 kms works out to only 12.5 paise per bag of 50 kg.
45	47.5	Wood unwrought	The price of Sal, CP Teak and Shisham are about Rs 68.89, Rs 73.81 and Rs 88.57 per quintal respectively. The increase in rail freight at the average distance of 800 kms works out to only 25 paise per quintal for each variety.

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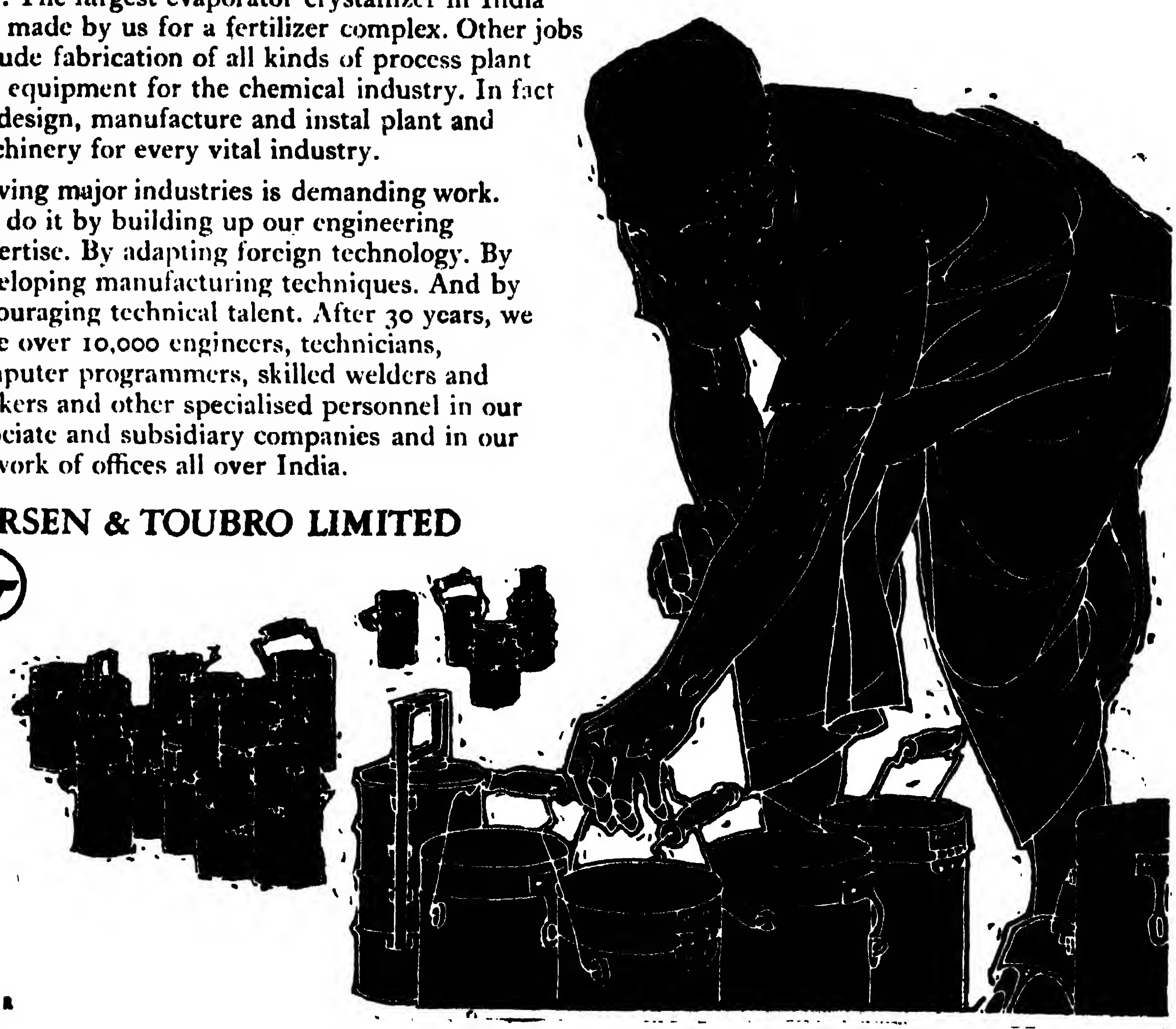
EASTERN ECONOMIST

JUNE 11, 1971 BUDGET NUMBER RUPEES FIVE



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What Price Socialism?

V. BALASUBRAMANIAN

ACTING UNDER the directions of the government of which he is a member and Mrs Indira Gandhi the leader, the Finance Minister, Mr Y.B. Chavan, had clearly set himself certain political goals in framing the tax proposals of the central budget for the financial year 1971-72. While I do not approve of his or the ruling party's ideology as displayed here, I would readily give him credit for making effective moves in implementing that ideology.

The prime aim of his budget is to make a frontal attack on the higher levels of property or income with a view to achieving a reduction in economic inequalities through a process of levelling down. The social and economic consequences of this egalitarianism could be endlessly debated, although there will be common argument on the two basic principles that any society which calls itself civilised must build up a progressive diminution of mass poverty as well as regulate in the larger interests of the community the earning, possession or enjoying of wealth by its more affluent members. What is not open to question, however, is the political appeal in a poor country such as ours of a programme of government action which would make the rich less rich even without necessarily helping to make the poor less poor at the same time.

The success achieved by the ruling party at the recent general election, despite all the qualifications that will be made or the limitations that will be placed on its quality or extent, has established the fact that there is very considerable popular support for a political programme for the state appropriating from those with higher incomes or larger wealth increasingly larger parts of their earnings or capital. Taking note of this fact and in an attempt naturally to turn it to the political advantage of his party, Mr Chavan has produced a demagogic budget which has not only met with general popular approval for its egalitarian proposals but is also bound to create further pressures on the government for advancing more rapidly in the same direction in future.

The Finance Minister, as may be expected, has not been apologetic about his 'soak the rich' tax proposals. On the contrary he has exploited its political value to the full by emphasising more than once in the course of his budget speech both the urgency and the importance which the government attaches to the process of bringing down the higher levels of income or wealth. Considered in terms of the political motivation of the budget, the Finance Minister's proposals relating to direct taxation have clearly fulfilled their aim. On the day following the budget, officials of the Finance Ministry stated at a press conference that, in the case of wholly earned incomes, the increase in the surcharge from 10 per cent to 15 per cent on incomes exceeding Rs 15,000 per annum, would impose a virtual ceiling at the level of income of Rs 5,500 net of tax a month. Beyond this limit, a man will have to earn as much as Rs one lakh in order to add Rs 200 a month to his income. This is because the tax rate at this level comes to 97.5 per cent.

Where a person derives his income half from earnings and half from property and the return of the property is eight per cent, it would become a liability to have net wealth of more than Rs 17.5 lakhs, since the total incidence of the income-tax (after the increase proposed in the budget) and the wealth tax (in the case of which Mr Chavan has announced a uniform rate of tax of eight per cent on any wealth above Rs 15 lakhs as against the current rate of four per cent on any wealth between Rs 15 lakhs and Rs 20 lakhs and five per cent on any wealth above Rs 20 lakhs) would eat into his wealth. In case the entire income is from property (other then urban land on which the wealth tax is higher), the effective ceiling would be about Rs 16 lakhs beyond which the return would be 'negative', since the tax would be higher than the return. If a person owns urban property, the effective ceiling would be Rs 8 lakhs when his disposable income is Rs 8000. Owning wealth beyond this limit would act negatively on his income.

There could of course be an argument about the ceilings on income or wealth sought by the direct tax proposals in the central budget. It is possible that the more exuberant Leftists within the ruling party or outside may assert that Mr Chavan has not gone far enough. But the fact remains that, for the first time since

an assault on higher levels of income or wealth has been accepted as a clear political programme of the ruling party, an attempt has been made to use the fiscal instrument as an effective means of egalitarianism. There can be no doubt now that this government has proved itself to be in dead earnest about the transfer of income or wealth, if not from the rich to the poor, at least from the rich to the public exchequer.

In these circumstances it is rather academic to discuss the possible economic consequences of this fiscal programme for raiding the income or capital of the affluent. The government's position apparently is that penal taxation on higher levels of incomes or wealth cannot have any adverse impact on economic growth and, even if it has, the price would be worth paying for achieving political stability or social equality in a country where far too many are poor while the well-to-do are relatively few in number. Mr Chavan would clearly be on firm ground should he choose to plead that, even if his budget proposals have opted for a reduction in the gap between the rich and the poor at the cost of some loss of pace in national economic growth, he had acted in the light of the political programme which has only recently been endorsed by the electorate.

Promoting Short-term Interests

The argument, of course, need not necessarily end here. Some of us (who too have as large a stake in the future of our country and welfare of its people as the leader or leaders of the government now in power at the centre) may still argue that the ruling party has taken advantage of an immature democracy to promote its own short-term interests at the expense of the long-term interests of the nation. Here, however, the debate would essentially be in terms of differing views on how far taxes could cut into income or property without damaging initiative or enterprise among individuals or capital formation in the community.

This is apart from the larger social or even philosophical question whether the state could go beyond a point in limiting the freedom of the individual in enjoying or possessing his income or wealth, without curtailing in the process some of the valuable elements in the liberty of the individual in a democratic community. While the issue of the ability of the individual to save and invest in circumstances of increasingly drastic taxation of income or wealth is relatively simple and the answer in broad terms could be that this ability does get hurt, there could be endless discussion about the precise nature of the impact of such taxation on the willingness of individuals to work harder or display initiative or enterprise. This is because of the fact that the element of 'willingness' attracts a whole series of considerations including those relating to complex behaviour patterns determined essentially by specific individual or group psychology.

II

Last year when Mrs Gandhi took it upon herself to function as the Finance Minister in order to preside over the liquidation of most of the commercial banking in the country, she also assumed the task of presenting the central budget for 1970-71. The direct tax proposals in that budget were directed mostly against personal incomes. The more optimistic persons or personalities in the business world allowed themselves to imagine that this indicated that the government would at least follow a liberal fiscal policy with regard to capital formation in the corporate sector. This of course was wishful thinking, as this journal pointed out on that occasion. Mr Chavan's proposals for increasing direct taxation have treated corporate revenues and capital with the same harshness as they have shown in dealing with personal incomes or wealth.

The rate of surtax on company profits has been increased from 25 per cent to 30 per cent in the case of chargeable profits in excess of 15 per cent of the capital employed. The incidence of tax on long-term capital gains has been increased in the case of companies as well as individuals. In the case of non-corporate assessees the deduction from long-term capital gains allowed in calculating the taxable income is being reduced from 45 per cent to 35 per cent where such gains relate to lands and buildings and from 65 per cent to 50 per cent in respect of other capital gains. In the case of companies, the rates of tax are being increased from 40 per cent to 45 per cent in respect of gains relating to lands and buildings and from 30 per cent to 36 per cent in respect of other capital gains.

Again the deduction of income up to Rs 3000 in the aggregate from investments in specified financial assets which was provided for last year will from now on be admissible only to individuals and Hindu undivided families. Corporate assessees, in other words, will not be enjoying this concession hereafter. The concessional tax treatment of dividends received by foreign companies from a closely-held Indian company engaged in a priority industry will be discontinued; the foreign company will be subjected to tax on such dividends at the usual rate of 24.5 per cent.

In the case of new industrial undertakings, ships and approved hotels, the tax exemption available for a period of five years has been diluted by a stricter definition of the capital employed for calculating the exempted level of profits. It is now proposed that debentures and long-term borrowings are to be excluded in calculating the limit of sixty per cent of the capital for the purpose of exempting profits from tax. The priority industries which currently enjoy a special tax exemption up to eight per cent of the profits will hereafter have this concession limited to five per cent of the profits.

Simultaneously, the Finance Minister has decided to prune the list of priorities while removing from it certain industries

Eastern Economist 25 Years Ago

JUNE 14, 1946

Unfortunately little thinking has gone into the question of a rural programme. Of individual beneficent measures to improve the lot of the rural masses quite a legion have been suggested from time to time, all of which in their own way would undoubtedly be valuable. Thus seeds, fertilisers, water, co-operation, marketing, education and a host of such suggestions would all find ready assent among all. But these do not add up to a complete plan or to the presentation of a picture of an integrated and prosperous rural community. There has also been a great deal of unresolved controversy between those who stand for industrialisation and those who pin their faith on village self-sufficiency and cottage industries. The National Planning Committee which, despite its occasional failings, has done much valuable pioneering work, has sought to find common ground between these two apparently conflicting views; but judging from the persistence with which the All India Village Industries Association (another limb of the Congress, enjoying the N.P.C's blessing and support of Mahatma Gandhi) goes all the way out for cottage industries at the expense of large scale and factory industries, its efforts have not been a success. The loyalty of the provincial ministries and of their individual members to Gandhian programme of rural welfare renders it necessary to examine the economic basis of that programme and suggest correctives and alternatives to it.

which, in his view, command a favourable market outlook and are therefore not in need of special tax treatment. The industries thus affected are aluminium, motor trucks and buses, cement and refractories, soda ash, petrochemicals and automobile ancillaries. Finally, the Finance Minister has served notice that the development rebate now allowed on ships acquired or machinery or plants installed will cease to be operative after the 31st May, 1974.

Comments on this part of Mr Chavan's budget proposals have taken note of one of their important aspects, which is that the central government now seems to have reached the conclusion that the mechanism of fiscal incentives is to be used only grudgingly for encouraging industrial expansion. Most observers however have overlooked the other important point that, through its proposals relating to the taxation of companies, the government has shown that it is not only antagonistic to the further enrichment of individual businessmen or the expansion of business houses but also to the growth of large industrial units as such. This is why some of the fiscal proposals relating to the corporate sector are similar to those which have sought to restrict personal incomes or wealth.

This applies, for instance, to the changes proposed in taxation on long-term capital gains. An even more striking illustration is the increase in the rate of surtax on company profits which compares with the increase in the surcharge on income-tax in the case of individuals or Hindu undivided families. The government, in other words, seems to be opposed now not only to what it has chosen to describe as concentration of wealth or economic power in the largest or the larger business houses as enumerated in the report of the Monopolies Commission but is also generally against the expansion of the bigger industrial units irrespective of their being connected—or not connected—with big business houses. By giving notice of the termination or dilution of fiscal concessions now available to industries in the priority sector or new industrial projects generally, the government has made it clear that it does not wish to be a party to companies building up their assets with the aid of tax benefits and thereby growing bigger faster. More immediately, the increase in the rate of surtax on company profits seems designed to restrict further capital formation in the corporate sector and thereby weaken the ability of large industrial units to finance their further growth with their retained profits. If the government's fiscal policy continues to travel in this direction in the coming years it would soon reach a point where it could effectively impose a freeze on the further growth of the larger industrial units, whether such units are controlled by the larger business houses or whether they are professionally managed, with their shareholdings disbursed among a large number of shareholders in more or less small lots.

III

One of the more obvious criticisms of Mr Chavan's direct tax proposals is that it would discourage saving. This proposition has to be discussed in detail. Although, contrary to widely entertained pre-budget expectations, the Finance Minister has not raised the minimum limit of incomes assessable to tax, he has effected certain modifications in the quantum of tax deduction available in respect of long-term savings (through life insurance, provident fund contributions etc.) which, along with the deductions allowed for conveyance, would make it possible for an employee with an annual income of Rs 6000 to avoid all liability to income-tax provided he saves at least Rs 400 in the approved form. Here clearly is an incentive to assessees in the lower slabs to save more through life insurance or other approved forms of saving in order to escape or sub-

stantially reduce their liability to income-tax.

The same scheme of tax deduction in respect of long-term saving in approved forms may also promote savings among assessees of higher slabs of income but in a different way. Whereas in the case of assessees at the lower levels of income this scheme would act as an incentive, in the case of people with higher incomes, especially those with incomes exceeding Rs 15,000 per annum, who have to pay a higher rate of surcharge, it would act as a compulsion to save more in order to take full advantage of the permissible quantum of deduction in respect of long-term saving. The Finance Minister, in other words, has sought to use this particular fiscal tool as a deterrent to not saving more, where assessees with larger incomes are concerned. Mr Chavan, to put it differently, seems to have worked out a formula for compulsory savings from the more affluent sections of income-tax assessees.

Limited Effect

In the circumstances it is not unlikely that personal savings as a whole will rather improve than decline as a result of the tax proposals. This effect may however be limited to the short period, the long-term effects of the drastic taxation of higher levels of income or wealth on willingness to work more or earn more and be able to save more could be quite different and, as has been mentioned earlier, this aspect of fiscal policy has to be examined in terms of complex motivations which Marshallian man is subjected to as he engages himself in the ordinary business of life, in earning money or spending or saving it.

Again, discussing the government's handling of the problem of savings through this budget, we must also take into account the fact that, to the extent the government has sought to effect a further transference of funds from individuals and companies to the public exchequer, it has attempted to organise the investment of private savings through the machinery of government. Viewed in this manner the government's budgetary exercise in this respect could be described as an attempt to step up public saving even if it be at the expense to some extent of private saving. Such an interpretation is, however, no doubt subject to certain very important qualifications.

In the first place, given the fact that expenditure on administration or other non-development or non-Plan expenditure has been historically and regularly absorbing the lion's share of the revenues ostensibly raised for further public investment, it would be legitimate to ask whether public saving would at all be stepped up to the extent of the transference of funds from individuals and companies to the government through the direct tax proposals in this budget. It is also permissible to argue that the marginal rate of saving in the public sector is much lower than the marginal rate of saving in the case of affluent individuals or the corporate sector as a whole. Even so, in the interest of clear analysis, it would be desirable to take note of the theoretical assumptions of the Finance Minister which are to the effect that the time has come to employ the instrument of the budget as a means of improving the rate of public saving which is currently very low.

IV

The budget then is a true exercise in socialism. It has effectively attacked the problem of inequalities in income and wealth and it has proposed substantial appropriations of private or corporate earnings or wealth for financing an expansion of public investment and the growth of the state sector in the industry and commerce of the nation. Whether socialism itself is desirable or not, is of course another question. I personally would affirm very clearly and firmly my rejection of it, but this has nothing to do with our judging the budget in terms of its declared political motivations or the ideological objectives which the ruling party has set for itself. Judged in these terms, this budget, as I have said earlier, is positive and purposeful.

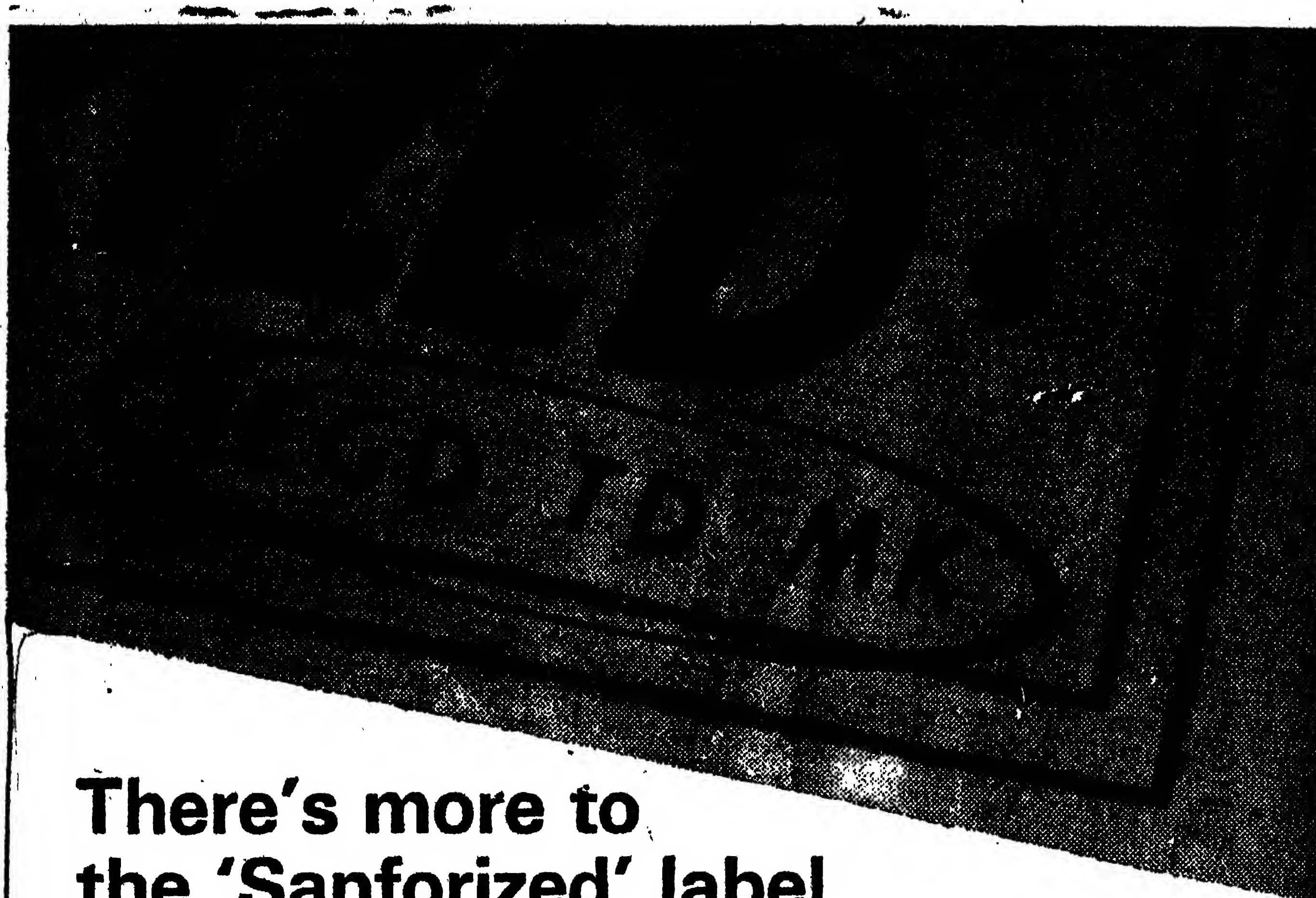
The other and even more important question is whether this budget would serve the national economy as well as it might serve the political interests of the ruling party. Here, again, my own mind is clear enough. This budget is clearly anti-growth in the long period. As a first move in the present government's settled policy towards private enterprise, it could be the beginning of a process of freezing at or near existing levels the contribution which large-scale industry especially may be able to make to the industrialisation of the nation. This budget makes it clear that the government has rejected the desirability of encouraging the growth of large-scale industry through fiscal or other incentives. The direct tax proposals both as regards personal incomes or wealth and corporate earnings or capital have markedly befogged the climate for private investment and has particularly made it less likely than ever before that foreign private capital would display any substantial interest in investment possibilities in this country.

The heavy incidence of direct taxation has so far been tempered particularly in the case of companies by various fiscal concessions and reliefs. Mr Chavan has now chosen to regard these concessions and reliefs as just so many loopholes for the avoidance of taxation and has proceeded to eliminate or restric them. The logical consequence of this move would be to render the impact of the basic taxation on individuals and companies impossibly onerous. The Finance Minister may be justified in arguing that the concessions and reliefs, which he has reconsidered to the disadvantage of individual or corporate assessees, are illogical in some cases, but he has overlooked the fact that, despite their illogicality, there is this basic justification for them that it is because of them only the incidence of the tax structure as a whole has been held on this side of breaking point. By now exposing individual or corporate assessees to the full rigours of the tax burden which has been piled up on them over the years, Mr Chavan has in fact shown up not so much the illogicality of the reliefs and concessions as the illogicality of the basic taxation itself.

V

As in the case of every budget in the past, on this occasion too the stock question has been raised whether this budget will not be inflationary in its impact on production or prices. An allied issue is whether this budget has been wise in risking deficit fiancing to the extent of Rs 220 crores. To take the second question first, it seems to me quite possible that the inflationary implications of deficit financing of this size could be exaggerated. It is not sufficiently realised that the decisive force acting on the price level in our country is still the volume of agricultural production, particularly food production. Whether we like it or not, our economy continues to be a gamble in the rains from year to year. If the rate of agricultural production continues to run at planned levels, the economy should certainly be able to assimilate the quantum of deficit financing assumed in the budget.

Having said this, I would like to add, however, that the government has been imprudent in programming for an increase of Rs 300 crores in the Plan outlay for the current financial year. Considering that the Finance Minister has made only an interim provision of Rs 60 crores towards prospective expenditure on the influx of refugees from East Bengal, the government should have been careful enough to



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provide for a substantial cushion in the budget against the possibility of additional demands being made on its resources for its commitment, which is necessarily indefinite, in the matter of displaced persons from East Bengal.

The economy has by now learnt to live with Plan holidays of one kind or the other and the heavens would not have fallen had the government decided to be more circumspect in assuming increased financial commitments in respect of the fourth Plan in view of the as yet unchartered call which the influx of refugees may make on our public revenues. The saving grace here is that new Plan schemes or programmes for the spending of the additions proposed to be made to the Plan outlay are still to be worked out and processed by the ministries or other official agencies concerned. Since more than a quarter of the current financial year will be over by the time the budget is passed by Parliament, it is highly improbable that the processing or planning of schemes for spending the additional allocations would be completed in time. This would mean that a good part of the projected increases in the Plan outlay may end up merely as a paper provision. The scheme of the budget would in the event prove to be flexible enough to enable the government to spend substantially more on relief to the refugees than the budget provision of Rs 60 crores. This is apart from the fact that considerable international assistance is bound to be forthcoming for the relief of the displaced persons from East Bengal since it is inconceivable that this country could shoulder this great and grim responsibility alone.

VI

Then there is the question of indirect taxation in the budget and its possible impact on costs and prices. So far as industrial costs are concerned the across-the-board increases in customs duties cannot but push up capital costs or the cost of raw materials in the industrial sector. To the extent that imported plant and machinery may have to bear higher import duties, the capital costs of new industrialisation must go up, thereby adding to the pressure on the limited financial resources available for new industrial projects or the expansion of existing undertakings. Increases in the landed costs of raw materials will of course be directly reflected in manufacturing costs and on prices of industrial products.

While this would be the general development in cause and effect, the actual situation is rather more complicated than this analysis would suggest. It is well-known that in the case of many materials the prices at which they are available to the manufacturers are often only remotely related to the landed costs. Secondly, there being a seller's market in the case of many goods in which scarce imported materials are used, the retail prices are even now in excess of levels warranted by what raw materials or other components actually cost manufacturers. While, broadly speaking, the incidence of the increases in customs duties on raw materials and components will be passed on to a substantial extent to the consumers of finished products, it would be rash to suggest that the whole incidence will necessarily be borne by the consumers.

As for the increases in the rates of existing central excises or the new levies proposed in this area, it is significant that the main criticism of Mr Chavan's proposals had been directed against the imposition of an excise duty on maida. Critics of Mr Chavan do not seem to realise that our central excise cannot indefinitely be confined to industrial goods. Semi-processed

goods of agricultural origin must also be brought into the central excise structure so that the base of this tax is widened. It is often said that the central government has failed to find ways and means of taxing agriculture sufficiently and this is a criticism which has been repeated on the occasion of the present budget also. To the extent that there is point in this criticism, it must be conceded surely that taxing of commodities or goods such as maida which have a large agricultural content should be accepted as a right move. We already have enough sacred cows in our fiscal system such as salt. There is no warrant for adding further to their number. As agricultural production moves up to higher levels, the incidence of excise duties on goods with a major agricultural content will naturally be determined by the interaction of supply and demand as is the case with excise duties on industrial goods, and we have a right to expect that as various agricultural products become more plentifully available, the producers will also have to absorb part of the excise taxation by accepting cuts in prices.

Finally it remains for me to make it clear that my views on this budget should not be misunderstood. I do not by any means consider this budget good to the country or country's economy. This is for the simple reason that I firmly believe in private enterprise whereas this budget, as I have made it clear, is really hostile to the growth of the private sector. At the same time, I have attempted in this discussion to view the budget in its declared political context and in the light of the political motivations of the ruling party. On this basis, I am led to conclude that this is most decidedly a socialist budget in that the Finance Minister has tried to level down the incomes and wealth and also attempted to appropriate a large part of individual or corporate earnings and wealth for the purposes of the public sector. Such of my countrymen as have voted for a socialist programme in the last general election as well as those of the rest of us who have cast their votes against this programme have now before them a firm government document in the form of the central budget to assist them in re-examining or redefining their views on what socialism means or what good it is likely to do to the country.

Disincentives Galore

S. P. CHOPRA

THE BUDGET for 1971-72, presented to Parliament on May 28 by the Finance Minister, Mr Y. B. Chavan, has a number of negative features. Through increased income-tax burden on middle and upper middle classes, it is likely to hurt the saving capacity of traditional savers and investors in our society. The withdrawal of concessions and increased taxes on companies may hurt the climate for investment which has improved somewhat after four good agricultural years and a mild recovery in industry.

Granted that the changes in direct taxes would not yield a large sum as the bulk of the increment in revenue would result from indirect taxes, what needs to be pointed out is that direct taxes in our country have already been raised to high levels and the scope for increasing their incidence further is severely limited (see Table I, p. 1010). Take the case of income-tax. The budget proposals include the increase in surcharge on income-tax in cases where the total income of an individual exceeds Rs 15,000 per annum; the surcharge has been raised uniformly from 10 to 15 per cent. The yield from this tax might not be large but its impact would be felt on a number of assessees —nearly 200,000 individuals on the basis of 1966-67 data.

Table II (p. 1010) compares the rates of income-tax in 1950-51 and 1971-72 at various levels of income between Rs 5,000 and Rs 500,000 per annum. It is seen that the increase in income tax at Rs 7,500 is nominal. In fact during the past few years relief in income tax has been provided at income levels below Rs 7,500. The incidence of income-tax has, however, increased at all levels of income above Rs 7,500 per annum. The marginal rate of tax at 50 per cent is now attained at the income level of Rs 30,000 per annum against Rs 40,000 per annum in 1950-51. The incidence of tax has increased sharply after the income level of Rs 15,000 per annum. The increase in income-tax coupled with rising prices has eaten into the standard of living of all classes in general and the middle class in particular.

In 1950-51, a person who earned Rs 1,00,000 in a year was able to retain a sum of Rs 52,320 after paying income-tax of the order of Rs 47,680; if additional income of Rs 400,000 accrued to him, he was able to retain as much as Rs 93,703 out of it. According to the income-tax rates for 1971-72, an individual earning Rs 1,00,000 per annum has to pay a sum of Rs 59,800 by way of income-tax leaving a sum of Rs 41,200 only in his hands. If he earns another sum of Rs 400,000, all that remains in his hands out of this additional income is Rs. 14,750 *i.e*, after attaining the income level of Rs 1,00,000 per annum, the additional income of Rs 4,00,000 brings in no more than Rs 14,750 or nearly 3.5 per cent of additional income. It is clear that the new tax rates provide no incentive for working hard and earning more.

Declining Number

The number of individual assessees earning Rs 1,00,000 a year or more has been relatively small for the past many years. In 1966-67, the latest year for which figures are available, the number of such assessees was 3,898 out of a total of 1.47 millions (see Table III, p.1013). The oppressive rates of income-tax have sharply reduced the number of assessees earning even Rs 60,000 a year (Rs 5,000 a month). Out of a total of 1.47 millions of assessees (individuals), only 12,522—less than one per cent of the total—claimed incomes above Rs 60,000 per annum. This trend, it seems, is intended to be hastened through new restrictions on salaries above Rs 5,000 a month. The Finance (No. 2) Bill, 1971, provides that expenditure incurred by a taxpayer on payment of salary to an employee would not be allowed as a deduction in computing the taxable profits to the extent it exceeds the amount calculated at the rate of Rs 5,000 per month. It follows that the business houses employing persons drawing more than Rs 5,000 a month are not debarred from paying a high salary to an individual though the cost of retaining such a person to the company would in fact be much higher than the salary paid to him.

What is more, every additional payment to such an employee of Rs 100 above the limit of Rs. 60,000 a year would attract the income-tax rate of 70 per cent. If an employer desires to raise the salary of an executive by Rs 1,000 a month after the attainment of the level of Rs 5,000 a month, he is not allowed any deduction in the computation of income-tax; he is required to pay about Rs 500 by way of tax on every Rs 1,000 additional paid by him to the executive. In the hands of the executive, this increment would claim the marginal rate of tax at 70 per cent. Thus out of every Rs 1,000 paid by the employer to the executive after the maximum limit of Rs 60,000 a year, only Rs 300 would remain in the hands of the employee; the employer would have to pay an

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additional sum of Rs 500 by way of taxes. If follows that through high rates of income-tax and fiscal provisions, a virtual ceiling on the income of an individual has been imposed.

In sharp contrast to the facilities provided in previous budgets for encouraging savings by the traditional savings groups in our society no such effort has been made in the current year's budget. However, through changes introduced in the computation of deductions allowed for such savings as life insurance premia, some concessions have been allowed. Up to Rs 1,000 or less saved by way of life insurance premia or deferred annuity policies, full deduction from taxable income would be allowed as against 60 per cenr of such savings under the existing provisions. All persons saving up to Rs 1,000 a year in this way are likely to be benefited through the new liberal rules.

Penal Wealth Tax

It was Prof. Nicholas Kaldor who had recommended to the Government of India about 16 years ago the imposition of wealth tax. The Finance Act, 1957, provided for the levy of this tax. The annual yield from this tax has not been very significant in recent years despite steady increases in the rates of wealth tax. During the past three years in particular, the incidence of this tax on higher brackets of wealth has been sharply increased (*see* Table IV p. 1013). The most significant changes have been made in the current year's budget which provide sharp teeth to this tax; it is expected to yield as much as Rs 30 crores in the current year.

Two far-reaching changes in wealth tax have been proposed in the current year's budget. First, wealth tax will be chargeable on every rupee of net wealth where it exceeds the exemption limit of Rs 100,000 in the case of an individual or Rs 200,000 in the case of Hindu undivided families. Hitherto, no tax was levied on the first Rs 1,00,000 of net wealth in the case of individuals and on the first Rs 2,00,000 of net wealth in the case of Hindu undivided familes. Second, all net wealth above Rs 15 lakhs is proposed to be taxed at the flat rate of 8 per cent in the case of individuals. The number of persons affected by this proposal would be 564 according to data for the assessment year 1966-67. In the case of Hindu undivided families this penal rate would come into operation above the first Rs 17 lakhs of net wealth. This is indeed a very harsh step.

Two years ago agricultural property was also brought within the purview of the Wealth-tax Act. The expected re-

TABLE I

TAXES ON INCOME INCLUDING CORPORATION TAX

(In lakhs of rupees)

	Budget 1970-71	Revised 1970-71	Budget 1971-72
I. Corporation Tax			
Ordinary collections including advance tax collections	325,50	348,90	378,25
Super Profits Tax	1,00	50	1,00
Surtax	15,00	15,00	15,00
Miscellaneous	50	60	75
Total-I	342,00	365,00	395,00
			16,00*
			441,00*
II. Taxes on Income other than Corporation Tax			
Advance tax collections (net)	85,60	160,00	165,00
Ordinary collections	320,90	278,50	290,40
Surcharge (union)	16,25	10,00	12,00
Surcharge (special)	8,00	5,40	6,00
Addl. surcharge (union)	2,00	50	50
Excess Profits Tax	..	10	10
Miscellaneous	4,00	5,50	6,00
Total-II	436,75	460,00	480,00
			11,00*
			491,00*
Total—I & II	778,75	825,00	875,00*
			+ 27,00*
			902,00*

*Effect of budget proposals.

TABLE II

RATES OF INCOME-TAX: 1950-51 AND 1971-72

Income (Rs)	1950-51 (Rs)	1971-72 (Rs)	Increase (+) or decrease (—)
5,000	117	Nil	—117
7,500	273	275	+2
10,000	492	550	+58
15,000	1,086	1,485	+399
40,000	9,711	12,650	+2,939
70,000	26,586	34,500	+7,914
90,000	40,492	51,175	+10,683
1,00,000	47,680	59,800	+12,120
2,00,000	124,242	151,800	+27,558
3,00,000	202,387	249,550	+47,163
5,00,000	358,617	445,050	+86,433

venue of Rs 30 crores consequent upon the changes in the Finance Bill assumes an estimated revenue of eight crore rupees from wealth tax on agricultural property. That is why the yield from this tax which used to be less than Rs 10 crores in the mid-sixties and improved to Rs 16 crores in 1970-71, is expected to nearly double itself during the current year.

As stated above, the number of assessees paying wealth tax is not large. According to the assessments for 1966-67, their number was 68,884; nine out of 10 assessees commanded wealth of less than five lakhs of rupees. The number of those who were assessed for a wealth of more than a crore of rupees was 13 only (*see* Table V, p. 1017). The total value of wealth which attracted this tax was Rs 1960.22 crores and the wealth tax levy was Rs 8.41 crores.

Ceiling on Income and Wealth

Through a sharp increase in the incidence of wealth tax, the government has brought about a virtual ceiling on ownership of wealth and through oppressive personal taxation rates, a ceiling on income has been imposed. Thus through various steps suggested in the current years's budget, a ceiling is proposed to be imposed on both income and wealth.

The capital gains tax became a part of the Income-tax Act in the notorious Liaqat Ali Khan budget of 1946-47; it remained a part of the Income-tax Act for two years. It was revived in the 1956-57 budget and its provisions have been made steadily stiffer from one year to the other. In the budget for 1971-72, the tax on long-term capital gains relating to companies has been raised while marginal changes have been made in other cases.

It may be stated that in the terminology of income-tax law in our country, long-term capital gains represent those gains which arise from the transfer or sale of capital assets and which have been held for more than 24 months. Such gains in relation to buildings or lands were chargeable to tax at 40 per cent but now the rate of tax is proposed to be enhanced to 45 per cent. In regard to long-term capital gains for other assets, the rate of tax was 30 per cent hitherto but it is now proposed to be changed to 35 per cent.

For all taxpayers other than companies, a marginal change has been brought about. For buildings or lands, the long-term capital gains would be Rs 5,000 plus 35 per cent of the amount of such gains exceeding Rs 5,000 as against 45 per cent under the existing

TABLE III

TAX PAYABLE BY INDIVIDUALS FOR 1966-67

Range of total Income assessed Rs	No. of persons assessed	Income assessed Rs (000)	Tax Payable Rs (000)
Below 4,000	50235	16,95,17	26,53
4,001 — 5,000	376216	1,56,69,76	2,59,39
5,001 — 7,500	421212	2,51,46,10	7,05,16
7,501 — 10,000	261975	2,20,57,44	11,21,75
10,001 — 12,500	98809	1,08,46,89	7,22,07
12,501 — 15,000	66083	89,54,98	7,12,41
15,001 — 17,500	54099	85,54,77	8,57,32
17,501 — 20,000	29664	55,41,79	6,08,94
20,001 — 25,000	37784	82,71,58	11,84,26
25,001 — 30,000	20989	57,02,34	9,87,09
30,001 — 40,000	25623	87,43,49	19,45,68
40,001 — 50,000	10232	45,29,14	12,84,29
50,001 — 60,000	6334	33,90,78	11,06,25
60,001 — 70,000	4106	26,06,39	8,92,51
70,001 — 1,00,000	4518	37,21,05	15,82,82
1,00,001 — 2,00,000	2885	37,90,19	20,58,99
2,00,001 — 3,00,000	513	12,44,65	7,43,32
3,00,001 — 4,00,000	201	6,23,24	4,46,12
4,00,001 — 5,00,000	92	4,13,59	2,88,42
Over 5,00,000	207	20,49,97	14,69,67
Total	1471777	14,36,23,31	1,90,02,98

TABLE IV

WEALTH TAX RATES

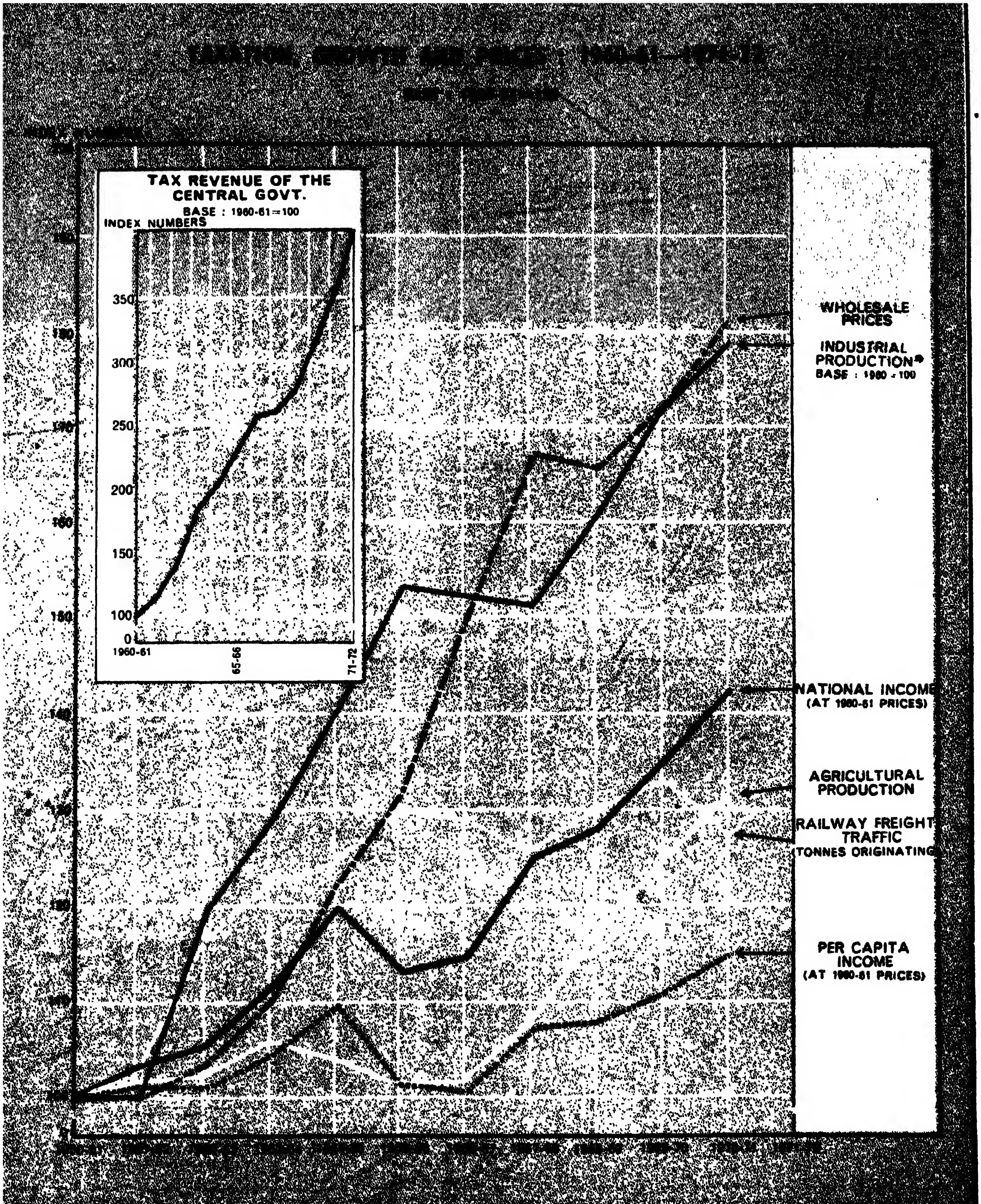
	Rates in 1970-71	Rates effective from 1971-72	Budget proposal 1972-73
(a) Individuals			
(i) On the first Rs 1 lakh of net wealth	Nil	Nil	Nil
(ii) On the next Rs 4 lakhs of net wealth	0.5%	1%	1%
(iii) On the next Rs 5 lakhs of net wealth	1%	2%	2%
(iv) On the next Rs 5 lakhs of net wealth	2%	3%	3%
(v) On the next Rs 5 lakhs of net wealth	2%	4%	8%
(vi) On the balance of net wealth	2.5%	5%	8%
(b) Hindu Undivided Family			
(i) On the first Rs 2 lakhs of net wealth	Nil	Nil	Nil
(ii) On the next Rs 3 lakhs of net wealth	0.5%	1%	1%
(iii) On the next Rs 5 lakhs of net wealth	1%	2%	2%
(iv) On the next Rs 5 lakhs of net wealth	2%	3%	3%
(v) On the next Rs 5 lakhs of net wealth	2%	4%	8%
(vi) On the balance of net wealth	2.5%	5%	8%

law. For all other capital assets, the long-term capital gains tax has been changed from 65 per cent under the existing law to Rs 5,000 plus 50 per cent of the amount by which the gains exceed Rs 5,000. These measures will enhance the incidence of this tax on long-term capital gains in all cases where companies are involved; for other than companies, the incidence will increase up to capital gains valued at Rs 30,000; beyond that level there will be some relief.

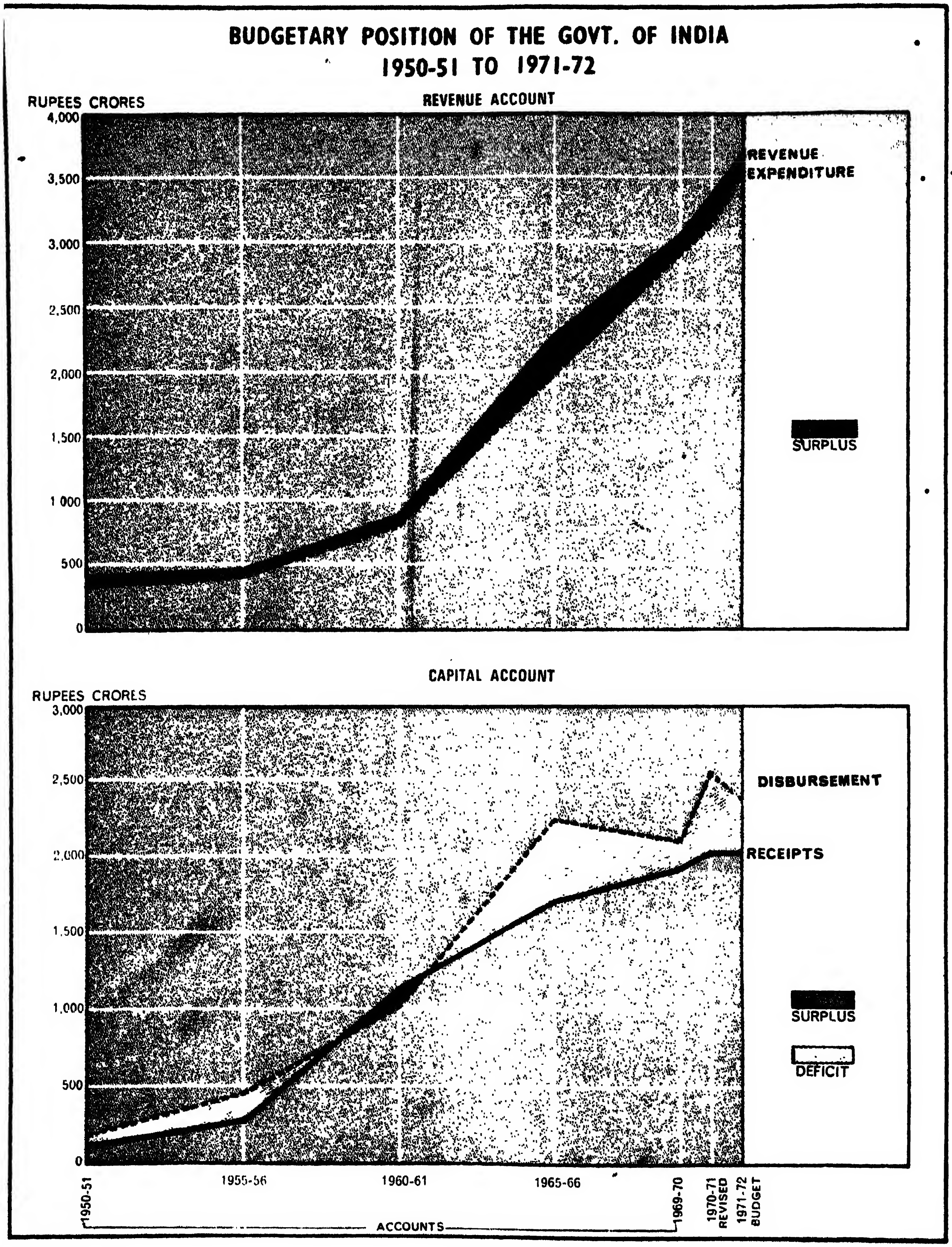
In 1966-67, the number of assessees (individuals, Hindu undivided families, unregistered firms, associations of persons, registered firms and companies) who attracted capital gains tax was 14,622. The value of capital gains income was estimated at Rs 15.36 crores and income-tax payable to the exchequer was estimated at Rs 4.26 crores. The largest contribution at Rs 96.96 lakhs was made by 26 assessees whose capital gains were more than five lakhs of rupees in each case. It follows that stringent tax rates on capital gains would certainly yield additional revenue to the government but the volume of increase would not be large so as to make any significant contribution to the exchequer.

The corporate sector is likely to come under heavy pressure if all the changes visualised in the Finance Bill come into operation. The proposed increase in the rate of surtax on company profits from 25 to 30 per cent (where chargeable profits exceed 15 per cent), the withdrawal of development rebate from June 1, 1974, the curtailment in the list of priority industries and the scaling down of the special tax exemption limit from eight to five per cent of the profits of these industries, the removal of debentures and long-term borrowings in the computation of the limit of six per cent of the capital for purposes of tax exemption of new industrial undertakings, the negation of the facility to enjoy tax-free income up to Rs 3,000 a year from investments in specified financial assets by companies and the denial of concessional tax on dividends received by foreign companies will all dampen the flow of funds for new ventures leading to a slowing down in the establishment of new industries.

The raising of surtax from 25 to 30 per cent is likely to penalise further the efficient industrial units. It may be recalled that the Companies (Profits) Surtax Act which came into force in 1965 had taken the place of Super-Profits Tax Act, 1963. Both these measures enhanced the tax burden of those companies which were able to handle their financial operations efficiently, though the former was certainly a milder version of the latter. The harsh impact of surtax on the working operations of the corporate sector induced the government to reduce its incidence in two stages from 40 to 25 per cent. While reducing the percentage of surtax from 35 to 25 per cent in the assessment year 1969-70 (earlier it was 40 per cent), the then Finance Minister, Mr Morarji



Calendar Years


BUDGETARY POSITION OF THE GOVT. OF INDIA
1950-51 TO 1971-72
REVENUE ACCOUNT
RUPEES CRORES
4,000
3,500
3,000
2,500
2,000
1,500
1 000
500
0
REVENUE
EXPENDITURE
SURPLUS
CAPITAL ACCOUNT
RUPEES CRORES
3,000
2,500
2,000
1,500
1,000
500
0
DISBURSEMENT
RECEIPTS
SURPLUS
DEFICIT
1950-51
1955-56
1960-61
1965-66
1969-70
1970-71 REVISED
1971-72 BUDGET
ACCOUNTS

Desai, had said that "It is intended as a spur to efficiency". It follows that the enhancement of surtax will now have a depressive influence on efficiency. It is not known why Mr Y.B. Chavan has proposed this anti-efficiency step. It seems that in his zeal to collect additional revenues, he has ignored the lessons learnt by his predecessor.

The only argument which is advanced in favour of this tax is that it mops up the excessive profits of some companies which enjoy a privileged positions in the market, the demand for their product being far in excess of supply. It is conceded that in such cases there is some justification for this tax but unfortunately it makes no distinction between those companies which earn increased profits through business efficiency and those which enjoy monopoly position in the market.

Development Rebate

In order to provide an incentive to the development of industries in our country, development rebate was initiated in the budget for 1954-55. The rebate was in addition to the depreciation allowance and was allowed to be carried forward for a period not exceeding eight years. Because of this incentive the profitability of many industrial units improved and this was deemed to be one of the plus points in attracting private foreign capital.

The Finance Minister, Mr Y.B. Chavan, has now served notice on industry that no development rebate in respect of new investments on ships acquired or machinery and plant installed after May 31, 1974, would be allowed. The conclusion has been drawn in a cavalier fashion that this pronouncement would hasten the establishment of new units before the deadline set by the Finance Minister. By withdrawing this concession in 1974, the government will give a setback to the process of industrial growth in our country. The shipping companies in particular will be hit hard by the withdrawal of this incentive. It is known that a major proportion of our ships are built abroad and the yards of our foreign suppliers are heavily booked. Deliveries of most of the ships already ordered would take place after 1974 while the decisions to acquire these ships were made on the basis of the availability of development rebate. This will not only hurt their profitability but will also put a brake to their expansion programme. Our aspiration to carry at least half of our foreign trade under our national flag will be hard to attain if the decision regarding the development rebate is not reversed.

It may be recalled that this is not the first occasion when the notice regarding the withdrawal of development rebate has been served on industry. As far back as 1964, Mr T.T. Krishnamachari, the then Finance Minister, had said in his budget: "I would have liked to discontinue the present general availability of development rebate and to confine it on a graduated basis to certain selected industries. I, however, appreciate that this might cause difficulties to concerns who have made plans for starting an industrial undertaking on the presumption that this rebate would continue to be available in the near future. In view of this, I would like to clarify that the continuance of the development rebate in its present form beyond 1st April, 1966, should not be assumed. I believe it is in the interest of industrial development to give such notice." Instead of scrapping development debate, he extended this concession to a number of other industries in subsequent years.

The abridgement of the list of priority industries is an unwise step. The Finance Minister has not explained the rationale of removing aluminium, motor trucks and buses, cement and refractories, soda ash, petrochemicals, and automobile ancillaries from the list of priority industries. What is still worse, the special tax exemption has been scaled down from eight to five per cent of profits in the case of those industries which still remain on the priority list. The state of working of each priority industry should have been studied so as to evolve the basis and the extent of withdrawing this concession. Surely, all the priority industries are not equally fortunate in their working operations. A selective approach in this case would have been profitable as the burden would have fallen on those industries which have acquired the capacity to bear it.

The change in regard to the computation of capital employed for tax relief to new undertakings has come at the wrong time. Because of the slackness in industrial expansion, there is urgent necessity of initiating measures to accelerate the flow of capital to new ventures. On the contrary, by excluding debentures and long-term borrow-

TABLE V

WEALTH TAX ASSESSMENTS

Nature of net wealth (Rs)	1965-66 No of assessments	1965-66 Total value of wealth (Rs in lakhs)	1965-66 Wealth tax levy (Rs in lakhs)	1966-67 No of assessments	1966-67 Total value of wealth (Rs in lakhs)	1966-67 Wealth tax levy (Rs in lakhs)
Up to 5 lakhs	59172	127012	304	62362	134183	317
5 lakhs to 15 lakhs	6265	47675	272	5958	44370	358
15 lakhs to 25 lakhs	478	8863	95	378	7034	77
25 lakhs to 50 lakhs	196	6612	91	133	4399	69
50 lakhs to 1 crore	39	2613	43	40	2937	53
above 1 crore	11	2284	46	13	3099	67
Total	66161	195059	851	68884	196022	841

Note: This table includes individuals and Hindu undivided famlies, In 1966-67, the number of Hindu undivided families assessed for wealth tax was 5,762 only.

TABLE VI

INTER-CORPORATION DIVIDENDS

Dividend receiving company	Dividend paying company	Deduction in dividend allowed	Effective rate of tax on dividend
(1) Domestic company	Domestic widely-held company	60%	55% of 40%=22%
(2) Domestic company	Domestic closely-held company	60%	65% of 40%=26%
(3) Foreign company	Domestic closely-held company	80%	70% of 20%=14%
(4) Foreign company	Domestic any company	65%	70% of 35%=24.5%

Note: According to the budget proposals, the third case would be treated in the same way as the fourth case.

ings from capital employed for calculating six per cent of capital employed (which is the tax exemption limit of profits of new undertakings) the Finance Minister has made some of the new projects unviable during the gestation period and hence given a setback to industrial expansion.

The incidence of tax on dividends received by a foreign company from a closely held domestic company is proposed to be raised from 14 per cent to 24.5 per cent (*see* Table VI, p. 1017). This change is being justified on the plea that a closely-held domestic company is now subjected to tax on the first Rs 10 lakhs of its income at the same rate as a widely-held domestic company and hence there is no need to treat the two differently. In other words, the effective incidence of tax on dividend received by a foreign company from any domestic company — closely-held or widely-held — will be uniform at 24.5 per cent. The withdrawal of a concession already available to a foreign company may not constitute singly a deterrent to investment by foreign companies in domestic companies but it will certainly vitiate the overall climate for investment.

In order to encourage the flow of funds in government securities, notified debentures, shares in Indian companies, units in the Unit Trust of India and deposits with approved financial corporations, the facility was provided that income received from such sources was exempted from tax up to an aggregate amount of Rs 3,000 which is deducted from taxable income. It is now proposed to withdraw this concession from companies, partnership firms etc. while individuals and Hindu undivided families would continue to enjoy this benefit. The Finance Minister has missed the point that this concession is meant to benefit not so much the investing company as the specified areas of investment into which it is desirable to direct investible funds.

Certain concessions offered to entrepreneurs in the past were designed to attract additional capital for the establishment of new ventures. One of these related to exemption from wealth tax of such investments as were made in the equity shares of new industrial undertakings. This exemption was available for a period of five years. The Finance Minister has now proposed that this concession should be withdrawn "in the context of the improved climate for new equity issues of industrial enterprises". It is a known fact that whatever improvement in the investment climate has come about is the cumulative impact of various factors including the exemption from wealth tax. It may, however, be noted that such shares will be allowed to be included in the categories of investments which are exempt from wealth tax up to the value of Rs 1.50 lakhs.

Excesses in Indirect Taxation

R. C. UMMAT

THE CONTRIBUTIONS of various sources to the revenues of the union government have undergone a marked change during the last two decades. The total net revenue of the government went up from a bare Rs 405.86 crores in 1950-51 to as much as Rs 3391.43 crores (revised estimate) in 1970-71. This year, if the taxation proposals of the Finance Minister, Mr Y.B. Chavan, yield the expected results, the net revenue will be of the order of Rs 3739.68 crores. Whereas the direct taxes — income-tax, corporate tax, wealth tax, gifts tax, expenditure tax and estate duty — contributed nearly Rs 491.93 crores in 1970-71, as against Rs 129.51 crores in 1950-51, the yield from the indirect levies— customs and excises — during this period rose from Rs 227.49 crores to Rs 1950.64 crores. This year the direct taxes will bring in a net revenue of approximately Rs 521.30 crores. The indirect levies are expected to yield as much as Rs 2208.87 crores. The remainder accrues from non-tax sources, which include the contributions of the Railways, posts and telegraphs, interest receipts on loans to states, etc. (see Table I).

This shows that the tool of indirect taxation has been made extensive use of in the tax effort of the union government since 1950-51. Non-tax receipts too have been going up. In percentage terms of the total revenue of the government in 1950-51, nearly 32 per cent was derived from direct taxes, about 56 per cent from indirect levies and approximately 12 per cent from non-tax sources. This year the three percentages will be around 14, 59 and 27. In the total tax effort, the share of direct taxes will be going down between 1950-51 and 1971-72 from nearly 36 to about 19 per cent, while that of indirect levies will go up from approximately 64 to slightly over 81 per cent.

Another significant development has been that, in the field of indirect taxation, the revenue from customs has registered a much slower growth than the increase in excise duties. The revenue from customs levies — both import and export imposts — increased from Rs 157.15 crores in 1950-51 to Rs 487.62 crores in 1970-71. This year it is expected to be of the order of Rs 534 crores. During the period 1950-51 to 1970-71 the revenue from excise duties rose from a mere Rs 67.54 crores to as much as Rs 1415.20 crores. This year this revenue is expected to move up to Rs 1660.26 crores. Thus whereas the share of excise duties in direct taxes has gone up since 1950-51 from slightly less than 30 to over 75 per cent, that of customs levies has decreased from nearly 70 to less than 25 per cent. Excise levies in the total tax effort accounted for a mere 19 per cent in 1950-51. Today they account for just a little below 60 per cent.

Trend Maintained

In line with the above trend, this year also Mr Chavan has primarily banked on indirect taxation to raise additional revenue. Of the total net additional revenue of approximately Rs 177 crores proposed to be raised by him this year (the share of states excluded), as much as Rs 143.37 crores will come from indirect taxes—customs Rs 54 crores and excise duties Rs 89.37 crores. The balance is to be the contribution of direct taxes. The new taxation proposals in a full year are estimated to yield a net revenue to the union exchequer to the extent of nearly Rs 215 crores. In this, the share of indirect levies comes to about Rs 170 crores—Rs 64 crores from customs and Rs 106 crores from excise duties.

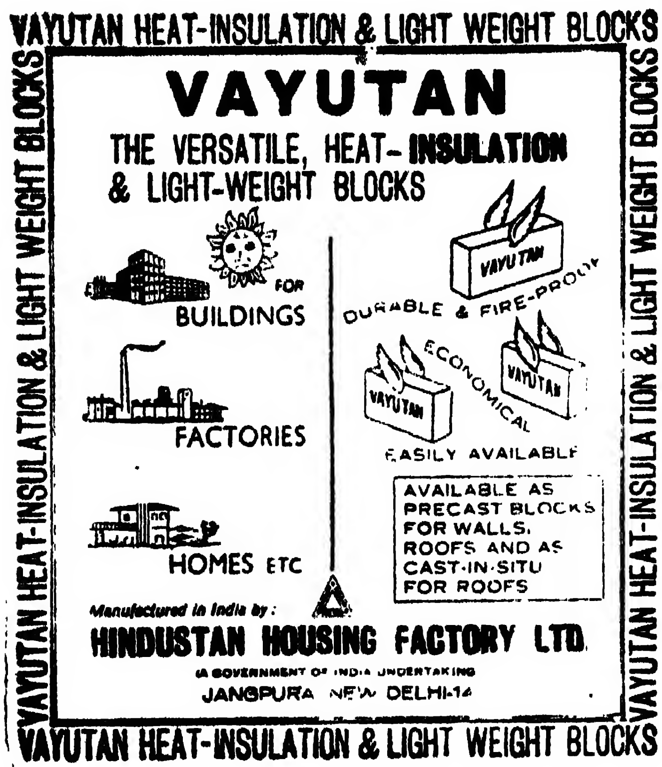
Taking first customs duties, the proposals, according to the Finance Minister, are aimed at:

(i) modification in the rates of basic customs duty on various imported articles as a measure of simplification and rationalisation of the rate structure; and

(ii) fixing of suitable rates of basic duty on certain articles released from binding under the General Agreement on Tariffs and Trade (GATT) secured by offer of fresh bindings of a much lower order.

In the process of simplification and rationalisation of the import duty structure, the seven rates of duty in force hitherto are being replaced by four rates. The seven rates prevalent hitherto were: 15 per cent, 27.5 per cent, 35 per cent, 40 per cent, 50 per cent, 60 per cent and 100 per cent. The rates proposed are 30 per cent, 40 per cent, 60 per cent and 100 per cent.

While there is no change in the import levies on all articles which are subject to an ad valorem duty of 100 per cent or more or those on which the rates of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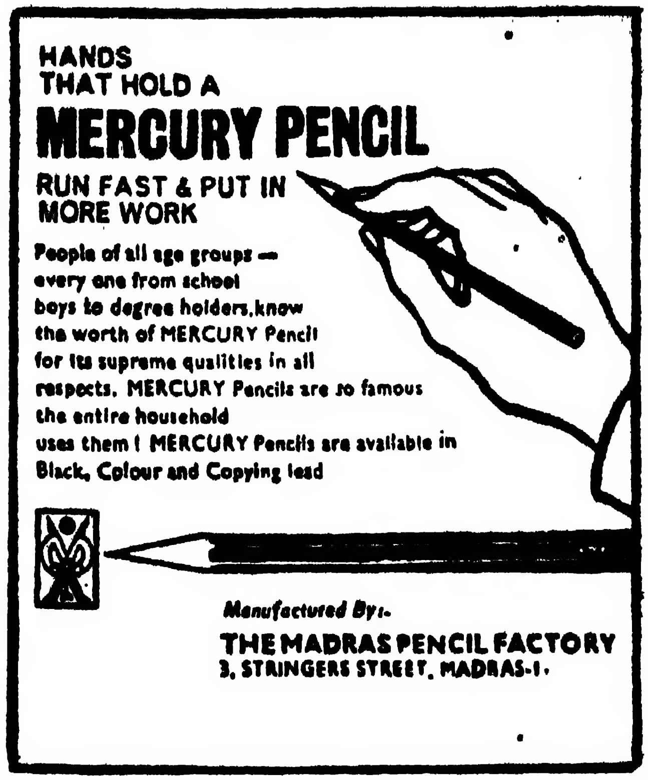
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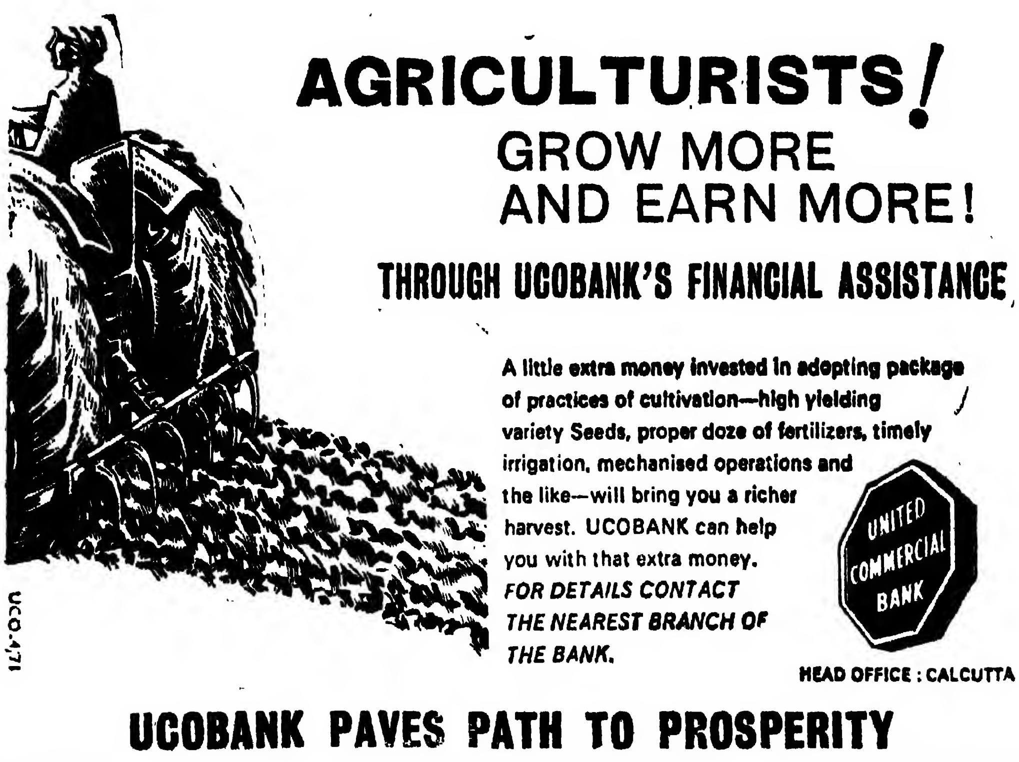
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duty are bound under GATT and on such items as those subject to protective duties, sulphur, fertilizers and pesticides, raw cotton and raw jute, raw cashew nuts, rapeseeds, soyabean oil, newsprint, raw hides and skins, family planning accessories and educational and research materials, a number of items will attract enhanced or freshly imposed duties.

The important ones among these are: raw wool and wool tops (40 per cent, against nil hitherto); staple fibre, excluding yarn (100 per cent, instead of 25 per cent); iron and steel materials (30 per cent generally and 40 per cent in the case of steel tinplates and tinned sheets, against 27.5 per cent normally—in some cases even 15 per cent); copper unwrought(30 per cent, nil); lead ingots, pigs and scrap (40 per cent, nil); zinc unwrought (40 per cent, nil); agricultural tractors and parts (30 per cent, nil); machinery required for initial setting up of projects or for substantial expansion of the existing projects (30 per cent, against 27.5 per cent); motor vehicle parts (100 per cent standard and 92.5 per cent UK, against 60 per cent standard and 52.5 per cent UK), and agricultural machinery and implements and dairy and poultry farming appliances, etc. (30 per cent, against 15 per cent).

The import levy on chemicals, drugs and medicines and electrical and non-electrical appliances was stepped up from 50 to 60 per cent last year. All similar items will now attract the higher duty of 60 per cent. Automobile components, dry fruits and other similar items used by the more affluent sections of society, which hitherto were subject to an import levy of 60 per cent, will now attract 100 per cent duty — the standard rate for most imported consumer goods. The specific rate applicable to cloves is being raised from Rs 18 to Rs 60 per kg.

As regards excise duties, they have been raised steeply on several items. The duty on motor spirit has been stepped up by 20 paise a litre, on special boiling point spirits by 80 paise per litre and on mineral turpentine oil by 10 paise per kg. High grade lubricants will attract 25 paise a litre increased duty and low grade lubricants 15 paise per litre. The other items which can be listed in this category are: cigarettes superior and medium varieties (eight to 40 paise increase per 10 cigarettes); latex foam sponge (duty doubled); superfine cloth (9.5 paise per metre more); fine cloth (5.4 paise per metre more) and wool tops (Rs 1.10 per kg.).

Excise levies have been enhanced moderately in the case of soaps other than household and laundry soaps; unhardened plates and sheets of rubber; glass and plate glass; glassware; chinaware and porcelainware; vaccum and gas filled bulbs, flourescent tubes and sodium and mercury vapour discharge lamps; cigarettes low category; crown corks and pilfer-proof caps. The duties in most of these cases have been raised by five to 10 per cent. On the last two items, they have been doubled from one to two paise per cork or cap.

Excise duties have been imposed for the first time on a host of items. The list of items newly brought under the excise net is the largest for any one year in the last two decades.

The new items which have been brought within the purview of excise duties include: (i) preparations of glucose and dextrose; (ii) maida; (iii) compounded lubricating oils and greases; (iv) calcined petroleum coke; (v) bicarbonate of soda; (vi) bichromates of potassium or sodium; (vii) hydrogen peroxide; (viii) potassium permanganate; (ix) perfumed hair oils, shampoos and lipsticks; (x) linoleum; (xi) ready-made garments produced with the aid of power; (xii) typewriter and similar ribbons; (xiii) mosaic tiles produced with the aid of power; (xiv) motor starters; (xv) industrial fans; (xvi) electricity supply meters; (xvii) motor vehicle parts and accessories; (xviii) evaporative type coolers; (xix) forklift trucks and platform trucks; (xx) cinematograph projectors; (xxi) photographic cameras; (xxii) rolling bearings; (xxiii) welding electrodes; (xxiv) coated abrasives and grinding wheels produced with the aid of power; (xxv) bolts, nuts and screws produced with the aid of power; (xxvi) zip or slide fasterners, complete or parts thereof; (xxvii) pressure cookers; (xxviii) vaccum flasks, etc., complete or parts thereof; (xxix) playing cards (xxx) camphor; (xxxi) menthol;(xxxii) electric insulated tapes produced with the aid of power; (xxxiii) abrasive taps not otherwise specified but produced with the aid of power, (xxxiv) bottled or canned and dehydrated (packed in cans or foil packets) vegetables; (xxxv) oxygen, chlorine ammonia and refrigerated gases with the exception of ammonia gas used in fertilizers and oxygen for medical use; and (xxxvi) draw bar tractors as well as tractors for agricultural purposes. The duty on most of these items is 10 per cent ad valorem. In some cases it is 20 or 25 per cent ad valorem.

But the wisdom of stepping up the

TABLE I

NET TAX REVENUE OF UNION GOVERNMENT

	1950-51	1955-56	1960-61	1965-66	1970-71 (Budget)	1970-71 (Revised)	1971-72 Budget
Total Net Tax Revenue of Union Government	357.00	411.47	730.14	1,784.62	2,390.24	2,442.07	2,730.17
of which							
Taxes on Income and Expenditure ..	125.70	113.23	191.97	453.72	430.46	466.16	481.47
Taxes on Property and Capital Transactions	3.81	2.55	13.49	19.83	27.05	25.77	39.83
Taxes on Commodities and Services ..	227.49	295.69	524.68	1,311.07	1,932.73	1,950.64	2,208.87
(i) Customs	157.15	166.70	170.03	538.97	465.00	487.62	534.00
(ii) Union Excise Duties	67.54	128.68	341.25	752.00	1,424.33	1,415.20	1,660.26
Non-Tax Revenue..	48.86	69.72	147.32	535.77	899.75	949.36	1,009.51
Total Net Revenue of Union Government ..	405.86	481.19	877.46	2,320.39	3289.99	3,391.43	3,739.68
States' share in Union Taxation *	—	73.59	165.38	276.05	743.90	755.00	892.89
of which							
Excises, including additional levy in lieu of Sales Tax, account for	—	16.57	75.10	145.92	358.41	390.04	422.85

*In union government's revenue this has been deducted. So also for the total taxation effort of the union government.

duties on some items as well as that of certain fresh imposts can certainly be questioned.

The excise levies have been increased sharply on gasoline and high grade lubricants. The most drastic enhancement has been in the duty on certain high boiling point spirits (80 paise a litre). But since the objective of this is to stop adulteration of gasoline — these spirits hitherto have been attracting only a small duty which made adultration of petrol a profitable proposition — this proposal can scarcely be criticised. Similar is the case with the 10 paise per kg increase in the duty on mineral turpentine oil which is used for adulterating kerosene.

So far as gasoline is concerned, the excise levy on it has been raised by 20 paise per litre. Along with the nearly three paise per litre increase announced by the Ministry of Petroleum— as a sequel to the rise in the prices of crude oil in West Asia — and the sales tax on the revised ex-refinery cost of gasoline, the net effect has been an increase of nearly 24 paise per litre. The retail price, however, is reported to have been raised by 26 paise per litre — the additional two paise are said to be being charged for the higher capital employed by the dealers now and such service charges as checking of tyres, etc. With the additional impost, the tax element in the retail price of gasoline works out to nearly 85 per cent. The way the government revenue from gasoline went up sharply since 1956 till this year's budget proposals is evident from Table 11.

Hackneyed Pleas

The heavy dose of taxation proposed by Mr Chavan on gasoline has been justified by him on the ground that consumption of crude oil has to be curbed with a view to containing the foreign exchange expenditure on its imports. Whenever sharp increases in the governmental imposts on petroleum products have been effected in the past, always this same reason has been troted out.

Opinions will differ on whether our oil exploration effort has been commensurate with the growing needs of the economy for petroleum products and also on the way the public sector refining capacity has been built up in the country (particular reference here is to the unduly high price which we are obliged to pay for Darius crude for the Madras refinery). But there can be no denying the fact that in the situation in which we are placed today, there have to be curbs on the consumption of petroleum products with a view to restricting the imports of crude oil.

But is the sharp increase in the price of gasoline the answer? It is a well known fact that we are surplus in gasoline and reducing its output has been a problem. Exports too are not an economic proposition. Taxing gasoline thus is no answer to the problem of containing crude oil imports.

What will make a wholesome difference to the imports of crude oil is the curbing of consumption of high speed diesel oil (HSD), furnace oil and kerosene. The Finance Minister has left all these three products untouched. Some increases in their prices, of course, have been effected by the Ministry of Petroleum to pass on the increased burden of crude oil imports.

Enormous Adultration

A significant point that needs to be noted in regard to kerosene and HSD is that a great deal of adulteration of the latter with the former is going on at present, thanks to there being a difference of nearly Rs 225 per kilolitre in the prices of the two. If ways and means can be devised to check this adulteration not only the revenue of the government can go up appreciably because of the higher duty on HSD, but also a good deal of saving can be effected in the foreign exchange expenditure incurred on the imports of kerosene. The industry suggested some time ago colouring of kerosene so that adulteration of HSD could be detected easily. But no decision has yet been taken by the government in this regard.

The real intention behind subjecting gasoline to a steeply enhanced duty seems to be to tax owners of cars and scooters. But along with them, the other city dwellers are being made to pay more for their transport. The bus service being what it is in most of the metropolitan cities, it is presumptuous to assume that only the middle and higher income bracket people use taxis and auto-rickshaws or scooters. The cost of city transport, in fact, has been raised by Mr Chavan in other ways too — a sizable increase in the duty on lubricants, auto accessories and raw materials going into the manufacture of motor vehicles and parts, etc.

Cross Purposes

Another point that arises in this connection is that the taxing of gasoline at a high rate runs counter to the proposals for augmenting the car and scooter manufacturing capacity in the country. Why waste scarce capital resources on this if the running costs are to be made prohibitive, one may ask.

The raise in the excise levy on liquid petroleum gas, though modest inasmuch as it works out to nearly 75 paise per cylinder of 12.5 kgs, inclusive of the increase in sales tax, can also be questioned. It may be recalled that the Shantilal Shah Committee, which last year submitted its report on the pricing of oil products, had recommended scaling down the price of LPG by about three rupees per 12.5 kg cylinder. While the Ministry of Petroleum was quick in taking action in regard to the other petroleum products in whose case the prices were to be revised upwards or only marginal reductions in prices were to be effected, it has been dodging decision on the reducing of the prices of LPG.

The other excise measures to which exception may be taken relate to the duties on superfine and fine cotton cloth, readymade garments, prepared and preserved foods and woollen yarn. The changes in excises on superfine and fine cotton cloth are in the additional duties levied in lieu of sales tax; they are for the benefit of the state governments. On readymade garments, woollen yarn and prepared and preserved

TABLE II

GASOLINE CONSUMER PRICE AND TAX ELEMENT

(In Bombay city per 5 litres)

	Consumer price minus tax and duty element (Rs)	Tax and duty element in consumer price (Rs)	Consumer price inclusive of tax and duty (Rs)	Duty and Tax as percentage of Consumer price
1-1-56	1.40	1.49	2.89	51.6
1-4-60	1.21	2.08	3.29	63.2
18-2-65	0.79	3.27	4.06	80.5
1-7-70	1.10	4.67	5.77	80.9

foods, they are otherwise — for the benefit of the central exchequer primarily.

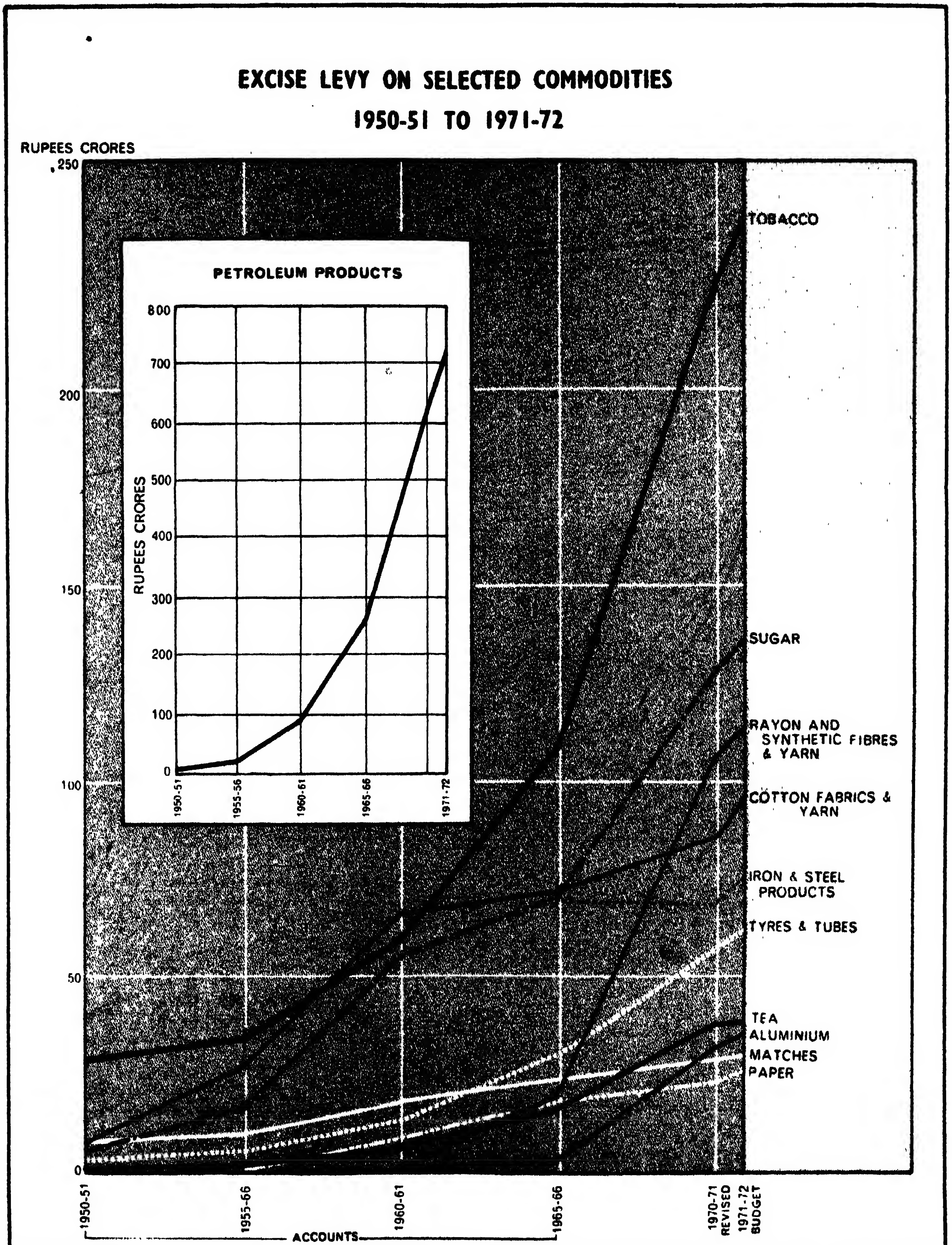
So far as the enhancement of the additional excise duties on superfine and fine cloth are concerned, the Finance Minister could have stayed his hand this year as he has done in the case of sugar. No doubt the central government was committed, in terms of the National Development Council's decision, to help state governments in raising their revenue through the levy of additional excise duties. Still, the prices of superfine and fine cloth have registered such a sharp rise in the past few months (10 to 25 per cent) — thanks to raw material shortages — that the stepping up of additional excise duties on them was hardly called for. In fact, as a statement issued by the Indian Cotton Mills' Federation suggests, the industry "expected some relief in excise duty because of the very adverse conditions through which it has been passing."

The 10 per cent ad valorem excise freshly levied on readymade garments sold under registered trade marks or brand names is obnoxious on two counts. First, subjecting of readymade garments to excise levy means imposing double duty — once at the fabric stage and the other at the garment stage. Secondly, the readymade garments industry is a newly established one and requires encouragement. The recent parleys with several foreign trade delegations suggest that there is a great export potential in this line. To enable this industry have a good export market, it is necessary that its domestic market should also be expanded.

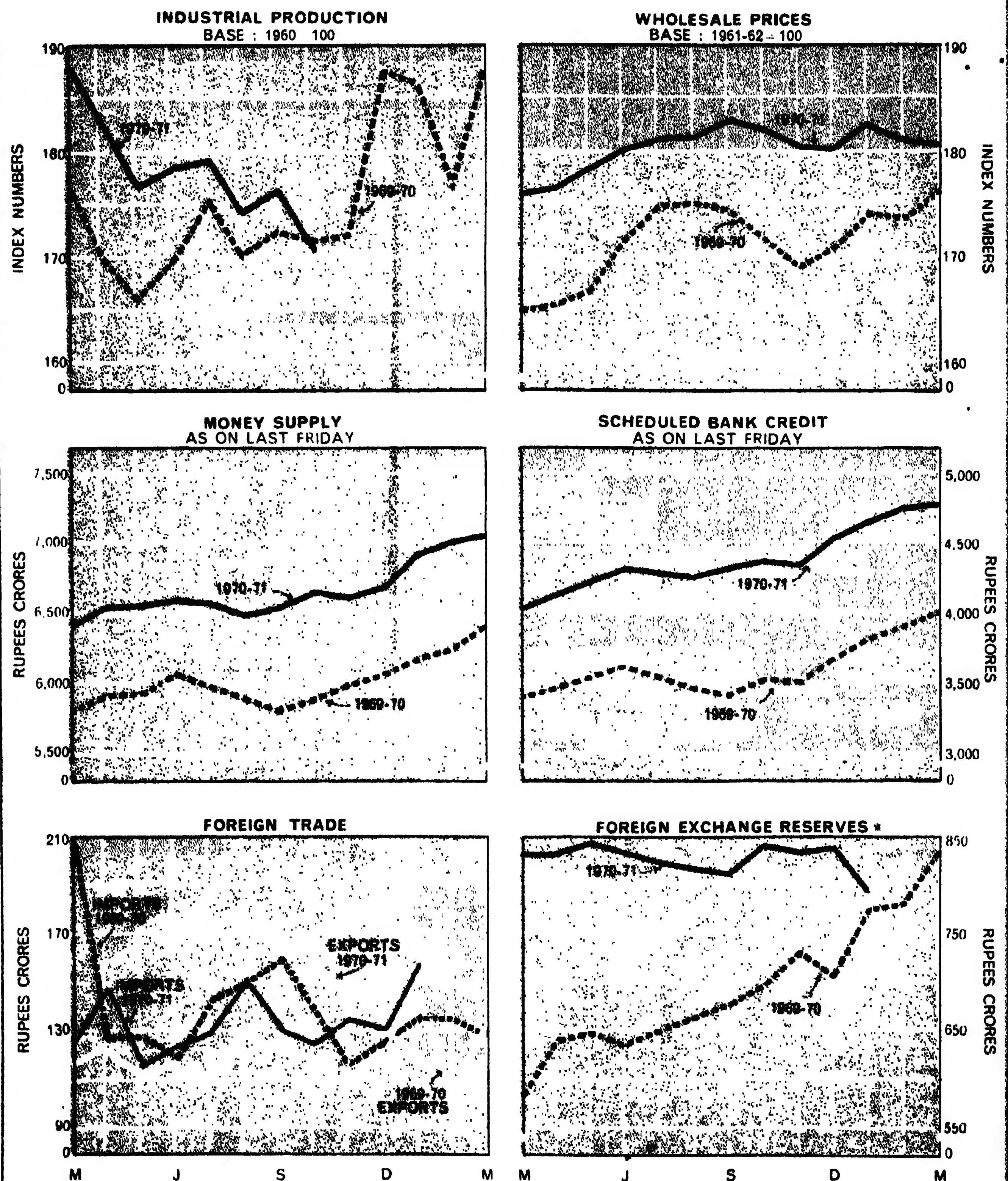
The "nascent industry" argument put forth above in regard to readymade garments applies equally to the food preparation and preservation industry. What the Finance Minister has done this year in respect of this industry is that the notification specifying the excisable items in this industry has been amplified to include bottled or canned and dehydrated (packed in cans or foil packets) vegetables. Notwithstanding the progress made in the recent past, the food preparation and preservation industry cannot be said to have passed the nascent stage as yet. With the notable exceptions of a few co-operatives, successfully operating mainly in milk products, sugar and fruits, and a handful of industrial establishments engaged in preserving vegetables, very little has been achieved so far. Out of the total production of 16 million tonnes of fruits and vegetables in the country, not more than about 100,000 tonnes were processed till lately. Of a catch of nearly 1.5 million tonnes of fish, processed fish products added up to no more than 5,000 tonnes. Similar is the story of milk, meats and other food products. The result is that a good deal of precious food is being wasted for lack of processing facilities. The annual wastage in the case of fruits and vegetables alone is estimated between 20 and 25 per cent of the total output.

There can be little doubt that if properly encouraged, the food processing and preservation industry can go a long way towards not only obviating the wastages of food but also improving the diet of the people. Good dividends can be earned in the form of wide new avenues of employment and export earnings. In this industry, although a few large-scale units have come up, the growth has to be essentially in the small-scale sector.

As regards the duty on woollen yarn, the point to be noted is that the prices of this yarn as well as of woollen fabrics have been going up by five to 10 per cent per annum for nearly a decade now owing to restricted imports. This year imports of raw wool as well as wool tops have been subjected to 40 per cent duty for the first time. This is bound to be reflected in the higher prices of woollens. The excise duty on yarn, which is ad valorem at varying


EXCISE LEVY ON SELECTED COMMODITIES
1950-51 TO 1971-72
RUPEES CRORES
250
200
150
100
50
0
PETROLEUM PRODUCTS
800
700
600
500
400
300
200
100
0
RUPEES CRORES
1950-51
1955-56
1960-61
1965-66
1971-72
TOBACCO
SUGAR
RAYON AND SYNTHETIC FIBRES & YARN
COTTON FABRICS & YARN
IRON & STEEL PRODUCTS
TYRES & TUBES
TEA
ALUMINIUM
MATCHES
PAPER
1950-51
1955-56
1960-61
1965-66
1970-71 REVISED
1971-72 BUDGET
ACCOUNTS

SELECTED ECONOMIC INDICATORS : 1969-70 AND 1970-71



* FROM JANUARY 1970 FIGURES INCLUDE S.D.R S.

rates on different counts, will surely provide a further push to prices. With the hosiery industry already facing difficult time on the export front, exployment in this industry can be expected to worsen. The plight of the consumer can well be imagined.

The hitherto three-tier excise levy on cigarettes has been replaced by a five-tier system. This is welcome. But the incidence of the enhancement in the duty is indeed quite heavy. The excise revenue from the cigarette industry, excluding the revenue from tobacco, went up from Rs 46 crores to Rs 126 crores between 1965-66 and 1969-70. Last year, it aggregated to nearly Rs 150 crores. This year it may go up to as much as Rs 182 crores. The total excise revenue from tobacco and cigarettes in 1971-72 is estimated to be of the order of Rs 271.63 crores. The revenue from the cigarette industry, thus, will be nearly 70 per cent of the total receipts from excises on tobacco and cigarettes. This compares with nearly 66 per cent last year, approximately 62 per cent in 1969-70 and about 42.7 per cent in 1965-66.

Incidence on Cigarettes

The cigarette industry's contribution to the total excise revenue went up from 5.14 to eight per cent between 1965-66 and 1970-71. This year it may increase to nine per cent. The incidence of new excise rates on the wholesale selling prices of top grade cigarettes — if full incidence is passed on to the consumer without any adjustment on different categories as is usually done — is estimated to be between 48 to 64 per cent. In the case of medium grade cigarettes, it works out to 22 to 33 per cent. The prices of the lowest grade cigarettes should go up by eight to 10 per cent. Indeed a heavy price one has to pay for lady nicotine's charms!

Coming to customs duties, the most serious implication of Mr Chavan's proposals is that cost-push inflation will get further fillip. Some excise levies, such as those on maida (for bread and biscuits particularly), calcined petroleum coke, auto accessories and parts, chemicals, industrial fans, camphor, menthol, tractors, gases, electric lighting accessories, etc, will also contribute towards this trend. So also the the increased freight costs, both road and rail. An indication to this effect has already been provided by no other person than Mr K.T. Chandy, the Chairman of Hindustan Steel.

The cost-push inflation injected by the Finance Minister through import duties is quite significant, for not only non-ferrous metals, agricultural tractors etc, have been subjected to heavy import duties, but also the levies on machinery required for the initial setting up of projects or for substantial expansion of the existing projects as well as those on iron and steel materials have been raised. The scaling down of the import tariff in respect of general machinery from 35 to 30 per cent, as can be judged from the small loss to the exchequer of four to five crores of rupees on this score, will not be very helpful. The nation indeed is being asked to pay dearly for the poor performance of some of the key units in the public sector. The steel and copper units are pertinent examples of this. The enhanced import duty on staple fibre, excluding yarn, incidentally primarily aims at mopping up large profits in this item. It should also encourage indigenous manufacture so direly needed to relieve the pressure on cotton.

Inflation Accentuated

There can be little doubt that inflationary tendencies will get accentuated as a result of this year's union budget — of course, taking into consideration the impact of the railway budget as well. Apart from the influence of various customs and excise duties on the price level as argued above, deficit financing too, if not contained within the limits presently envisaged, will have its adverse effect on the price-line. The danger of deficit financing exceeding Rs 220 crores, as proposed by Mr Chavan, or even Rs 250 crores, which is considered by some as a safe limit for this year, is real. The cost of providing relief to the refugees from Bangla Desh is one imponderable. Defence expenditure is another. Deficit budgeting on the part of the states is the third, perhaps the most important, imponderable.

The inflationary tendencies, however, may get mitigated to a considerable extent if agricultural output is buoyant and industrial production picks up. Whether the nadir has been reached in so far as the growth rate of industrial output after the recession of 1966 and 1967 is concerned, it is difficult to say at present. If the rains fail or industrial relations do not show considerable improvement, the price front many well become restive.

A few words may also be said about the upward revision effected by Mr Chavan in Post and Telegraph tariffs. The P&T department, the Finance Minister has stated, is expected to incur a loss of nearly Rs 15 crores this year. To fill the gap between receipts and expenditure of this department, he has proposed a raise in tariffs which will net in a full year Rs 10.84 crores.

In line with the philosophy behind his direct and indirect taxation proposals, the P&T tariffs too have been selectively stepped up by Mr Chavan so as to make primarily the more affluent sections of society pay more. Thus, whereas the tariffs of items like postcards, letter cards and letters have been maintained at the present levels, those for telegraphs and telephones have been increased fairly steeply. There is a marginal scaling up of the registration and parcel fees as well.

Sizable Losses

That the P&T department should continue to make sizable losses even after nearly four-fold increase in its revenue during the past one decade is a matter of deep concern. Not only are the losses continuing but also there is a marked deterioration in the services.

A significant fact to be noted about P&T tariffs is that services, such as telephones and money remittances are being charged at much higher rates than would be justified by the cost of rendering them. There can, of course, be no grouse if reasonable surpluses are aimed at from these services, but it is wrong to make them subsidise low productivity or high costs elsewhere. The long queue for telephone connections should suggest that there is a case for rapid expansion of this service so that the revenues of the P&T department may be set on an even keel. But the ideological consideration of expanding the public sector seems to hinder the growth of manufacture of equipment. The cable industry, for instance, has been suffering from gross under-utilisation of capacity. It is in a position to supply telephone cables expeditiously if it is allowed to instal some balancing equipment at a cost of a couple of crores of rupees. But what do we find? A new cable factory is being set up in the public sector at six to seven times the above cost. This factory will begin to yield in four or five years — over twice the length of the period in which supplies from the existing private sector cable manufacturers can be ensured.

The need for the inculcation of discipline among the P&T employees and the raising of productivity of the department cannot be over-emphasised. Unless concerted attempts are made in these directions, the P&T services, as a whole, will not start yielding any surplus.

TABLE III

EXCISE LEVIES ON SELECTED COMMODITIES*

(Rs crores)

Commodities	1950-51 (Accounts)	1955-56 (Accounts)	1960-61 (Accounts)	1965-66 (Accounts)	1970-71 (Budget)	1970-71 (Revised)	1971-72 (Budget)†
Total	67.54	145.25	416.35	897.92	1,812.75	1,805.24	2,083.11 (2,108.05)
Petroleum products	2.08	26.11	98.14	271.21	636.54	623.05	724.85 (733.95)
Tobacco and cigarettes	31.99	36.46	59.41	109.13	227.53	228.38	271.63 (277.91)
Cotton yarn and fabrics	9.26	28.18	63.08	95.64	113.76	117.36	130.18 (132.48)
Rayon and synthetic fibres, yarn and fabrics	—	2.18	4.93	21.85	101.90	107.86	116.35 (116.40)
Woollen yarn, tops and fabrics	—	—	0.02	2.04	7.50	7.70	10.80 (10.81)
Iron and steel products	—	—	—	70.86	96.90	89.02	100.80 (101.30)**
Cement	—	2.22	18.54	30.73	36.68	45.30	49.60 (49.68)
Food and beverages (sugar, tea, coffee, confectionery, prepared and preserved foods, aerated water, glucose and dextrose)	10.99	22.68	53.01	72.98	172.28	185.92	208.35‡ (210.96)
Vegetable oils and fats	2.19	4.11	17.32	8.55	13.85	15.57	16.13 (16.03)
Jute manufactures	—	—	—	7.17	20.35	20.35	22.65
Paper	—	2.68	8.38	18.09	24.63	24.63	26.23
Aluminium	—	—	1.17	3.11	23.00	31.92	35.64
Matches	8.07	10.08	18.08	23.24	28.00	28.10	29.00
Fertilizers	—	—	—	—	24.82	19.00	22.80
Motor vehicles	—	—	8.03	20.09	29.50	27.30	30.00 (33.50)
Internal cumbustion engines	—	—	1.53	2.18	1.54	1.54	1.65
Tyres and tubes	4.04	5.53	13.54	29.58	61.20	57.00	62.40
Motor vehicle parts and accessories	—	—	—	—	—	—	1.35 (1.60)
Air-conditioning, refrigeration and cooling appliances	—	—	0.2	2.93	8.20	10.80	12.16 (12.20)
Glass and glassware	—	—	0.11	3.49	5.70	6.61	9.20 (9.70)
Chinaware and porcelainware		—	0.30	1.43	3.12	3.60	5.55 (5.75)
Soap	—	1.55	2.38	4.73	9.24	8.58	10.59 (10.86)
Cosmetics	—	—	0.07	2.01	4.14	4.14	5.23 (5.40)
Electric bulbs and tubes	—	0.25	0.68	1.74	3.53	4.38	6.10 (6.31)
Electric fans	—	0.27	1.17	1.98	3.24	3.24	4.54 (4.68)

Figures in brackets reflect revenue if the incidence of budget proposals for full year is taken into account.

*Includes basic duties, special duties, cesses and additional duties. †After including the effect of budget proposals.

**Includes duty on bolts and nuts. ‡Includes salt cess.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POINTS OF VIEW

Budget Against Growth

R. V. MURTHY

REACTIONS TO the union budget are closely related to pre-budget expectations of the public, on the one hand, and the exigencies of the situation, on the other. Public expectations on the eve of the budget, though varying from sector to sector, are based on the latest Economic Survey and the objectives the government keeps on avowing from time to time. After perusing the Economic Survey for 1970-71, released by the Government of India a few days before the 1971-72 budget was presented to Parliament, the public had every justification to expect a not-so-stiff budget. Inasmuch as the Economic Survey has catalogued both the credits and debits, leaving the impression that the Indian economy is today better poised than before for rapid development, and the union government also is keen on promoting growth and employment opportunities, the general belief had been that the budget would be primarily growth and employment oriented.

Disturbing Developments

Such has also been what the government spokesmen have been reiterating from all pulpits and platforms. The exigencies of the situation, on the other hand, have all been against expectations of a soft budget. Even at the time of the interim budget, it was known that the government would require more resources to provide for a larger Plan outlay during 1971-72 than in 1970-71—sufficiently large to take care of not only the absolute increase in size but also the effect of rising prices so as to ensure a successful implementation of the enlarged Plan. Since then, the disturbing developments in East Bengal have forced on this country an additional problem arising from the large-scale refugee influx. In view of this, the general pre-budget expectation this time was that, while not disturbing such sectors as have already been contributing to economic development, the union Finance Minister would do something positive not only to encourage these sectors to keep up their contribution but also to induce several others to participate in economic ventures by offering fresh incentive. All these called for a bold and imaginative budget, and the budget presented on May 28 by Mr Y.B. Chavan is anything but this, if one is to sum up the reactions of business and industry in Bombay.

One school of businessmen seems to believe that the budget is deceptive, in that, *prima facie*, it gives the impression that it has left the corporate sector more or less untouched which, of course, is not the case. Unfortunately for the union Finance Minister, the stock markets were not taken in, as some had expected, because they were not guided just by this consideration, but took into account the overall effect of all the budget proposals, in particular those that tend to inhibit savings and, therefore, investment in shares. Share markets normally base their calculations on profitability, *i. e.* returns, and growth prospects.

Uncertain Future

Thanks to the new budget proposals, even companies with a good record of handsome returns to their shareholders and those with known chances of growth now view their future outlook with not a little uncertainty, if not apprehension. Is it any surprise, therefore, that even those who had something good to say about the budget have chosen only faint praise? For instance, the President of the National Alliance of Young Entrepreneurs—Mr Chandrakant S. Desai—who began by patting the union Finance Minister on the back by remarking that "on the whole, the Finance Minister has handled a very difficult task with caution and restraint", ended up with his apprehension that "the overall effect could well be inflationary and adversely affect government's avowed efforts to hold the price line".

Mr Harish Mahindra, President of the Indian Merchants' Chamber, Bombay, was more categorical. He was convinced that, by imposing the ruthless taxation measures in the hope of reducing concentration of economic power and removing disparities of income and wealth, Mr Chavan has adopted a negative approach and missed the opportunity of making his budget an instrument of growth precisely at a time when the economy is poised for rapid development. He was also critical of the Finance Minister for failing to bring the affluent agricultural sector within the ambit of his wide and varied tax measures.

A news agency has given credit to Mr Chavan for what it describes as "enunciating" new economic laws in the tradition of Gresham and other economists, but this hardly fits a Finance Minister who, while professing that "faster growth and greater social justice will be elusive goods unless pursued in a milieu of relative price stability", has acted to produce exactly the opposite results. Take, for example, the series of his indirect tax proposals. Not all of these hit only the rich; although the steeper increases in excise duties, such as those on so-called luxury goods like high class cigarettes and petrol, have been mainly aimed at them, the middle class and even the poorer classes are affected by some of them, albeit indirectly. Surely, to tax medium cloth, soap and ready-made garments, or pressure cookers for that matter, is not the way to stabilise prices or to raise the standard of living of our people.

Similarly, to give credit to Mr Chavan for having "enunciated" another economic law—"inflation dislocates attempts to increase the efficiency of production and to lower unit cost, which, in turn, affects exports" is not quite right, when he has not cared to exempt from import duty machinery imported for export-oriented industries. Likewise, some essential raw materials which we have necessarily to import to keep the wheels of industry moving have not been exempted.

Important Aspect Ignored

Of a piece with the above unimaginative proposal is the proposal to remove industries like aluminium, motor trucks and buses, automobile ancillaries and refractories, etc. from the priority list, on the score that many entrepreneurs are allegedly anxious to enter the field, because of the enormous profits there. These are among the industries that have not only been producing goods which this country would have had to import otherwise, but building export outlets and also collaborating with other developing countries to set up joint ventures abroad, an important aspect that seems to have escaped notice.

Then there are certain industries which have been subjected to savage levies. A case in point is the staple fibre industry, and, as the Chairman of the Silk and Art Silk Mills' Association observed, "the 100 per cent increase in duty on staple fibre will greatly affect the poor weavers and consumers. One can, therefore, readily share his feeling when he explained: "It is difficult to understand why staple fibre, which goes into the poor man's apparel, has been singled out for an increase of 100 per cent duty".

Next, there is the proposal to discontinue the development rebate after 1974. Someone perhaps too eager to please Mr Chavan has interpreted

this as a strategy to get as many new industries as possible started in the remaining years of the fourth Plan itself and thereby create additional employment oppor unities. Fine, if this were the idea, the Finance Minister should have clarified the point, but he has not done so as yet. Obviously the proposal is intended to demonstrate that the government is out to be tough with big industrialists in its bid to show off its radical image.

But the steep rise in the income-tax surcharge on incomes in excess of Rs 15,000, the confiscatory increase in the wealth tax and the restraints on high salaries and perquisites to business executives are perhaps among the worst proposals, especially when there is urgent need to raise the percentage of capital formation to national income from the lagging level of 12 per cent today to 15 per cent by the end of the current Plan, as the Economic Survey has pointed out. These may be by way of implementing the 10-point economic programme of the Congress, but let there be no mistake about their adverse effect on the investment climate, besides their being deterrent disincentives. For it is only those that are sought to be penalised thus who can really go in for investment in equities or national savings bonds. Those getting an annual income of below Rs 15,000, especially if they have even a small family and happen to live in cities such as Bombay, will be left with hardly anything worthwhile to invest after making both ends meet. It is this fear—the fear that the increase of as much as Rs 27 crores in direct taxes would result in smaller savings and consequently reduced investment in shares—that must have weighed with the stock exchange people in their assessment of the future outlook for investment.

Finally, what should one think of a Finance Minister who does not even care to pause and weigh the impact of his proposal to levy a 20 per cent *ad valorem* on all tickets purchased in rupees so soon after Air-India has introduced its Jumbo-747 jets? Unless he has a sneaking desire (we hope not) to discredit this good public corporation so ably presided over by a private sector spokesman, he should withdraw this forthwith; otherwise, the Government of India should ask Air-India to resell its new acquisition and take no further steps to start its proposed corporation for arranging charter flights. Meanwhile it would be worthwhile knowing if the union Minister for Tourism and Civil Aviation also agreed to this proposal.

Blow to Private Savings

SAGITTARIUS

THERE HAS been, as usual, considerable camouflaging when formulating the regular central budget estimates for 1971-72. The union Finance Minister, Mr Y.B. Chavan's first budget will go down in history for its massive attempt to mobilise resources through higher direct taxes, denial of concessions to priority industries, higher customs and excise duties and a new list of excised commodities. The tax efforts in the past have not attempted to mobilise more than Rs 200 crores, including the share of the states, in any single year but the latest budget proposals are stunning as, on the government's own admission, they will fetch in a full year Rs 285 crores and in the current year Rs 220 crores, including the states' share of Rs 43 crores. Since the budget receipts for 1971-72 on the basis of existing taxation have been grossly underestimated and there has been a big rise in revenue expenditure due to additional Plan outlay of Rs 155 crores, expenditure on refugees of Rs 60 crores and an allocation of Rs 25 crores for granting relief to educated unemployed, there is a deficit of Rs 24.55 crores on revenue account. The surplus of Rs 198.14 crores in the budget for 1970-71 (revised) has thus been converted into a deficit. On the capital side, however, there is a smaller deficit of Rs 372.35 crores in 1971-72 against Rs 427.71 crores in 1970-71 (revised). The overall deficit has thus risen to Rs 396.90 crores from Rs 229.57 crores.

Mr Chavan has proceeded to gather tax revenues on an unprecedented scale for reducing this big deficit to Rs 220 crores, the additional revenue accruing through new levies, as stated above, bringing in Rs 177 crores on central account in the remaining months of this year. It had been generally expected that there will be additional taxation for financing a higher level of developmental expenditure. There is also no doubt that the calculations of the government have been upset to a great extent on account of the huge influx of refugees from East Bengal. But it was not anticipated that additional taxation would be more than Rs 200 crores in a full year and it would be necessary to secure fresh receipts for more than Rs 150 crores in the current year including the share of states.

There was justification for this view as the ways and means positions of the government at the end of 1970-71 was extremely comfortable and its deposits with the Reserve Bank stood at the fairly high level of Rs 362.47 crores. These have no doubt come down to the low figure of Rs 55.16 crores during the week ended May 21, 1971. Some part of the decline has obviously been due to the heavy expenditure incurred on feeding refugees but there were also technical adjustments for reducing the load on the banking system and minimising the overdrafts of the state governments. It would appear that some part of the liability of the Food Corporation of India to its bankers has been taken over by the government and the latter is anxious to give the impression that it has no large unspent balances.

Other Liabilities

In spite of all this camouflaging, there is a big increase in "other liabilities" of the Reserve Bank and during the week ended May 21, 1971, these amounted to Rs 247.19 crores, nearly Rs 93 crores more than the figure for the corresponding week last year. When the adjustments are effected in the last week of June in respect of the share of profits of the Reserve Bank for 1970-71, central government deposits will swell again and there will also be a further decline in the overdrafts of the state governments.

These arguments have been put forward only to show that Mr Chavan's observations about the likelihood of the overall deficit for 1970-71 being Rs 40 crores higher than the revised overall deficit of Rs 229.57 crores will not be correct. This is because expenditure in the revised estimates is usually inflated and revenue under-estimated. As it has been admitted that Plan outlay has revealed a considerable shortfall in this year (1970-71) over budgetary allocations, the actual overall deficit when the accounts are finalised would be very much less. The same thing happened in 1969-70 when the actual overall deficit was only Rs 45.53 crores against the revised overall deficit for that year of Rs 290.11 crores.

The question may well be asked whether the government departments would be in a position to increase the Plan outlay by nearly Rs 300 crores when the budgetary allocations in the two previous years had not been fully utilised. The increases have, of course, been made in directions which are capable of absorbing them; but there should not be any spending spree leading to unproductive use of available resources and an accentuation of inflationery pressures. It is quite likely that the government will have at its

disposal over Rs 200 crores by way of additional taxation while the increase in revenues on the basis of existing taxation by itself may be of the order of Rs 100 crores. If the public sector undertakings also worked less inefficiently in the current year, they may yield surpluses to the extent of Rs 50 crores or even more. It is, therefore, clear that even assuming that the expenditure estimates have not been inflated, there will be no sizable overall deficit and the experience of 1969-70 can be easily repeated.

Under these circumstances, it is difficult to understand why direct taxes have been so drastically revised and import duties have been "rationalised" and raised in a way which will have an inflationery effect on production and capital costs of industrial units and lead to a general increase in prices for raw materials and finished goods. The adjustments in excise duties will necessarily cause hardship to consumers at all levels.

Fresh Incentives

The union Finance Minister has overlooked the fact that a big increase in revenue and capital expenditure will have inflationery effects and it will be necessary to raise the output of consumer, producer and durable goods to offset them. The proper course would have been to offer fresh incentives to the corporate sector and also encourage savings by individuals out of current incomes for being invested in industrial securities.

Far from providing fresh encouragement, there has been surprisingly an increase in the income-tax surcharge on personal incomes to 15 per cent from 10 per cent and a whittling down of the concessions relating to long-term savings. Why the candle is being burnt at both ends is not clear. With the additional surcharge the maximum rate of income-tax will be raised to 97.75 per cent and residual incomes will be significantly lower in the tax brackets particularly between Rs 30,000 and Rs 80,000.

After having been encouraged to formulate schemes for long-term savings on the basis of definite concessions, it is surprising that there should be a reduction in the rebate for tax purposes to 40 per cent from 50 per cent in respect of savings in excess of Rs 5,000 annually out of current incomes. The only consolation is that the exemption of income up to Rs 3,000, arising out of dividend and other approved incomes, will still be available along with the exemption for wealth tax purposes. Since the income-tax surcharge will have a regressive effect, it should be withdrawn and the cost to the exchequer will not be heavy.

There is, however, no justification for penalising the priority industries particularly when those like aluminium and cement are having the hardship of controlled prices and inadequate adjustments in end-prices for offsetting rising costs. The six industries, aluminium, soda ash, cement, refractories, motor vehicles and automobile ancillaries, excluded from the priority list, will not only have to pay a higher rate of 55 per cent on profit but will not also henceforth get the advantage of the higher development rebate available to priority industries. This will result in a bigger increase in the tax liabilities. Hindustan Aluminium, Indian Aluminium and Madras Aluminium are busy implementing expansion schemes while many cement units have yet to complete their new plans. The large-sized soda ash plant of Tata Chemicals will be expanding its capacity to 1,000 tonnes, while Jiyajeerao also has a scheme of its own for establishing a new plant.

The profitability of the working of aluminium, cement, and chemical units will, therefore, be seriously affected, while the cost of commercial vehicles and automobile component to the users will increase considerably because of higher direct taxes and excise levies. At the same time, the burden on the remaining priority industries has increased because of the computation of chargeable profits on a revised basis. Henceforth only 5 per cent of profits will be exempt from tax as against 8 per cent hitherto. This will result in a higher tax rate of 52.65 per cent against 50.60 per cent up till now.

There will thus be a significant contraction in the generation of internal resources of these industries which has been estimated at eight crore rupees by the government in a full year. It may be higher at Rs 12 crores or even more. As the government will not be agreeable to withdraw the new wealth tax levies because it is politically committed to reduce disparities in income and wealth, the punitive rates on wealth above Rs 15 lakhs should at least be lowered.

Whatever might to done in this regard, there is no justification for the additional income-tax surcharge on personal incomes nor for the less liberal concessions relating to long-term savings in excess of Rs 5,000 in a year. If concessions to the priority industries also are allowed to be continued as before, as they have to be, the exchequer will in all be "losing" only Rs 35 crores in a full year. Even if it becomes necessary to modify some proposals pertaining to the revision of excise duties or the imposition of new ones, the government can take the "loss" in its stride. If the available resources are wisely spent, there will be even greater buoyancy of revenues. Besides, actual expenditure may not be of the budgeted order and the overall deficit will be well below Rs 220 crores. Any unimaginative attempt to mobilise resources without immediate need for all of them can have a defeating effect apart from giving rise to discontent amongst taxpayers.

BUDGET DOCUMENTS

Growth With Social Justice

PRESENTING the budget of the Government of India in Parliament on May 28, the Finance Minister, Mr Y. B. Chavan, said that faster growth and greater social justice would be elusive goals unless pursued in a milieu of relative price stability. Inflation, he said, dislocates attempts to increase the efficiency of production and to lower unit cost, which in turn effects exports. He, therefore, advocated a faster rate of growth along with the parallel goal of achieving price stability. The full text of part "A" of the budget speech follows:

On the 24th of March this year, I had presented to the Honourable House an interim budget for 1971-72. I had then assured Honourable Members that the Budget proper to be presented in the current session will provide for a significant increase in the outlays on development and social welfare over and beyond what the interim budget had indicated. It is in fulfilment of this commitment that I rise before you today.

Economic Conditions

Earlier this week, the government has laid on the floor of the Honourable House the Economic Survey for 1970-71. The Survey shows that the economy presents in general a promising picture indeed and that it is now better poised to tackle the tasks ahead than at any other time in recent years. We have once more been able to fulfil during 1970-71, the target set in the fourth Plan with respect to the overall rate of economic growth. In agriculture, progress has been maintained; foodgrains production has continued to expand at a most satisfactory rate. In the industrial sector, lack of certain essential raw materials has hampered production in some areas and there is still under-utilisation of capacity in a few other areas. But new grounds have been broken in our import substitution efforts, and recovery from the years of recession in the middle 1960's is considerable. Besides, the growth in small scale sector is most encouraging. Enough symptoms abound which indicate that once a significant improvement occurs in the scale of public investments, industry as a whole will surge forward. After a few initial set-backs, there has been a remarkable spurt in exports towards the later months of the year. Better organisation is, however, still the major outstanding task for both industry and exports. Apart from raw material shortages and procedural delays, we have also to face problems of low scales of operations and high unit cost in some industries. Cost reduction and improvement in efficiency are thus vital for imparting a new dynamism to industrial growth and exports.

In agriculture, too, there is yet no occasion to relent on our efforts. We must continue the search for high-yielding varieties of paddy which will prove durable in our varying agro-climatic conditions. Irrigation facilities will have to be expanded to ensure the extensive propagation of double cropping. Our search for better pest-resistant qualities of seeds for millets must go on. The greatest area of responsibility will lie in improving the productivity per hectare of pulses and the cash crops, including cotton, oilseeds and jute. During 1970-71, there was a marked stability—occasionally even a certain fall—in foodgrain prices. In fact, but for the government's price support operations intended to protect the farmers, there would have been a steeper order of decline in these prices. Despite this, there was an overall increase in the general price level largely induced by the shortage in the availability of commercial crops. Against this background, we cannot accelerate our rate of growth with price stability unless we raise the output of commercial crops.

On the external side, while we can take credit for repaying our outstanding obligations to the International Monetary Fund, our balance of payments is not as satisfying as it was at the end of 1969-70. Exports have shown a remarkable improvement. At the same time, with the rising tempo of industrial activity, imports have been going up. Outstanding import licences suggest that there will be a further increase in imports during the current year. Because of shortage in steel, cotton, oils and oilseeds, we have had to plan for much larger imports than originally envisaged. Fresh aid allocations have declined during the past year even as the burden of debt servicing has continued to mount. Net aid available to finance imports has, therefore, shrunk. Thus we can scarcely afford to relax in the matter of a prudent management of our balance of payments.

Reorientation of Policies

The massive mandate which this government received from the people three months ago was a mandate for socialism, a mandate for rapid economic growth matched by increased social justice. There can be little doubt that social justice must begin with increasing the opportunities of job and work for every one. A good deal has been done in the course of the past year to initiate measures for creating gainful work for the urban unemployed as well as the rural under-employed. During the past year, the nationalised banks have expanded their scale of operations so as to provide more credit to the hitherto neglected sectors and for purposes of self-employment. They intend to do much more in future. A crash programme for rural employment has been announced and the government's broad objective is to ensure employment to at least one person in each family in all parts of the country. At the same time, the government is determined that such schemes for creating employment do not take the form of *ad hoc* measures but contribute to the accretion of additional physical assets in the countryside in the form of new roads, land reclamation, land development, drainage etc.

Honourable Members will also remember that special works programmes were introduced last year to improve job opportunities in the countryside, particularly for the small farmers and in the backward areas. These schemes will continue. In addition, as I shall describe presently, we propose to make a special budgetary provision for assisting the educated unemployed in their search for a constructive opportunity to serve the nation.

The largest stimulus to employment can, however, come only by increasing the tempo of economic activity all round. It is therefore essential that expenditure under the Plan is maintained on projected levels and that no shortfalls occur. I am afraid that our performance in 1970-71 in this respect leaves much to be desired. While I am proposing to increase significantly the Plan outlays over what was allocated last year, the emphasis has to be even more on the timely

implementation of Plan projects for which budgetary provision is being made.

Faster growth and greater social justice will be elusive goals unless pursued in a milieu of relative price stability. We can scarcely ignore the adverse effects of unabated price increases on both investment and income distribution. Inflation also dislocates attempts to increase the efficiency of production and to lower unit cost, which in turn affects exports. There is therefore need for continuous vigilance. The drive for a faster rate of growth in this sense, therefore, blends with the parallel goal of achieving price stability. In this task, we must also keep under examination the operation of the monetary forces.

Our procedure for formulating annual Plans is itself in the nature of a reassessment of Plan priorities and objectives. At the present juncture, when we have just received a new mandate, it is also necessary to make a fresh appraisal of the Plan as a whole. The emphasis from now on has to be on measures which will speed up the process of implementation of projects, foster the expansion of employment opportunities and reduce disparties, including regional disparties. Honourable Members are aware of the various steps taken in recent years for encouraging growth, including growth of industry in the backward areas through allocation of Plan assistance and similar fiscal and other means. The same objective has to be kept in mind in the allocation of our foreign exchange resources including those mobilised through external assistance. Schemes intended for backward areas have to be given due consideration at the stage of the formulation of the Plan itself, so that in the general allotment of internal and external resources under the Plan, the different parts of the country, and particularly the retarded regions, get their due share.

Source of Future Growth

Our public sector enterprises have deepened and widened the industrial base of the economy and achieved certain basic social objectives. Efficient performance on the part of these enterprises is crucial for the government's overall development effort. The extent of buoyancy that can be added to the economy each year will be largely related to the ability of the public sector to implement the Plan proposals. Administrative and procedural delays which hold back progress of these enterprises are thus matters of considerable concern. Similarly, the public sector has to yield a sizeable surplus, since this surplus is a key source of future growth. During the past year, a number of steps have been taken to raise the general efficiency of public enterprises. Increasing attention is being devoted for the proper maintenance of inventories as well as of plant and machinery in each public sector unit, and towards tackling the problem of personnel management and industrial relations. In regard to the latter, we would certainly like to have the advice and counsel of trade unions. They have an equal stake in the efficiency of the public sector. I hope that with their co-operation, it will be possible to initiate a new chapter of industrial relations in our public enterprises.

A large segment of the commercial banks is also now a part of the public sector. Here, too, I would seek the co-operation of the trade union leaders to improve the efficiency of the banking system. A beginning was made recently when I initiated a dialogue with the employees and the management of the banks; our discussions covered such areas as credit planning and deposit mobilisation. I propose to continue this practice. The new boards of directors, the composition of which will be announced soon and which will include representatives of the award staff and officers, will, I hope, carry forward the task of improving the procedures and policies of the banks along intended lines.

Each of the nationalised banks has been urged to have an annual credit plan which could ensure that the credit apportioned to the different sectors, and particularly the sectors neglected hitherto, is in conformity with their needs and at the same time within the norms of monetary expansion. The committee appointed by the Reserve Bank of India to suggest credit schemes for promoting self-employment has made a number of valuable suggestions which are being given shape to by the commercial banks. Another committee which was asked to recommend a scheme of differential lending rates for helping the smaller borrowers and the weaker sections of the community has just submitted its report. A Credit Guarantee Corporation has been set up with effect from April 1, to underwrite the advances offered by banks to small borrowers. Honourable Members are also aware that the government has recently framed the guidelines for the conversion into equity of loans offered by public financial institutions. These guidelines should go a long way to promote the establishment of a joint sector to which we attach considerable significance.

Honourable Members, I am sure, are happy with our decision to take over the business of general insurance in the country. This decision marks a culmination of the process which was started when we nationalised the Imperial Bank of India and the life insurance business and to which we gave a major thrust less than two years ago through nationalisation of major commercial banks. With these measures, virtually all the savings of the people mobilised

by financial institutions can now be deployed in accordance with national priorities.

In the interim budget, I had indicated that the year 1970-71 will close with an overall deficit of Rs 230 crores. The budget documents I am presenting today repeat from the interim budget the revised estimates for 1970-71, since actuals are not yet available in most cases. According to the latest indications, however, the overall deficit for 1970-71, I am afraid, may be of the order of Rs 270 crores.

While presenting the interim budget, I had occasion to express concern over the fact that a number of states were over-drawing their accounts with the Reserve Bank of India. I regret to say that despite the increased special assistance of Rs 195 crores to the states during 1970-71, there has been no abatement in the states' recourse to overdrafts from the Reserve Bank as will be evident from the fact that, at the end of last March, as many as 14 states had overdrafts aggregating to Rs 260 crores. The special assistance to states, which was designed to help them to fulfil their targets of Plan outlays, is to taper off in the coming years. In this context, the problem of overdrafts assumes an additional gravity. I would appeal to the states to maximise their efforts for raising additional resources and to enforce the strictest discipline on the growth of non-Plan expenditure.

Budget Estimates: 1971-72

Honourable Members will recall that in the interim budget I had provided a sum of Rs 1,195 crores for the central Plan for 1971-72, that is, at the same level as in the budget for 1970-71. I had then stated that the provision for the central Plan for the current year was to be augmented following a review of requirements and resources. I propose to raise the outlay under the central Plan by Rs 155 crores, that is, to Rs 1,350 crores. This represents an increase of more than Rs 300 crores over the likely actual level of expenditure in 1970-71. The more important areas where the budgetary provisions have been significantly raised over what was provided in the interim budget include shipping (Rs 16 crores), ports (Rs 13 crores), roads (Rs 10 crores), mines and metals (Rs. 9 crores), health and family planning (Rs 12 crores), post & telegraphs (Rs 11 crores), agriculture (Rs. 32 crores) and food procurement (Rs 18 crores). I had already provided in full in the interim budget the sum of Rs 785 crores towards central assistance for the Plans of the states and the union territories, as against a provision of Rs 711 crores in the budget for 1970-71.

For creating immediate employment opportunities, even a larger Plan outlay may not be enough in the short period. I have therefore decided to add a further thrust to the public sector outlay which could both generate additional employment and provide relief to the weaker sections of the community. For the crash programmes for rural employment a provision of Rs 50 crores was already made in the March budget. But the problem of unemployment is equally acute among our educated young men and women. We are determined not to permit them to be a lost and frustrated generation. We propose to assist them actively so that they might set themselves up in gainful creative endeavours which would at the same time accelerate the pace of economic progress of the country. To this end, in the budget I am now presenting, we propose to allot a further sum of Rs 25 crores for schemes specially designed to suit the educated unemployed including engineers and technicians. The details of these schemes are being worked out in consultation with the Planning Commission and the ministries concerned.

Honourable Members will be glad to know that the provision of Rs 4 crores made in the interim budget for a nutrition programme for children is now being raised to Rs 10 crores, and included in the Plan. I have no illusion that even this larger provision will mean much more than a beginning in the task of protecting and nurturing the health and welfare of the poor children. I do hope that, in this matter, we will be in a position to do substantially more in the coming years. I might also mention here that we propose to reserve 25 per cent of fresh admissions to public schools for meritorious candidates, who will be offered government scholarships.

Slum Clearance

The special provisions made last year for improvement of slums are being maintained. The work of the Calcutta Metropolitan Development Authority will be pursued with vigour. I would also like to state here that the government would consider sympathetically proposals for a similar improvement in living conditions for slum dwellers in other metropolitan cities and towns: if state governments and municipal bodies could initiate viable schemes for this purpose, we will consider the question of financial accommodation.

Finally, I have to refer to the tragedy that has been enacted over the past two months in East Bengal representing some of the darkest episodes in human history. Already, some three million evacuees have crossed over the borders. It is our hope and endeavour that all these unfortunate people will be able soon to return to their homes and hearths in dignity and honour. Meanwhile, we shall do our utmost to offer succour and relief to all those who have taken temporary shelter with us. It will clearly be beyond our capability to meet on our own the financial burden involved. We regard it as the responsibility of the international com-

munity to share with us this burden. In the budget, I have tentatively made a provision of Rs 60 crores for providing relief to the evacuees from East Bengal. For the present we have taken credit on the revenue side to the extent of Rs 20 crores which we expect will accrue to the budget by way of external assistance for the relief of the evacuees. In addition, it is our hope that substantial supplies from abroad will be available for providing relief without being routed through the budget. Honourable Members will note that the provision we have made will suffice only for a limited period and that a considerably higher order of assistance from the international community will be necessary.

Let me now sum up the overall budgetary picture as it emerges following the increase in the Plan outlay, the provision for employment assistance and certain inescapable additions to the non-Plan items of expenditure since the presentation of the intrim budget in March. Apart from the provision for evacuee relief, I might mentions in particular the addition in the expenditure on account of food subsidy, which is now placed at Rs 30 crores instead of Rs 10 crores as indicated in the interim budget. On present reckoning, the revenue receipts in 1971-72 are likely to be of the order of Rs 3,562 crores. Expenditure to be met from revenue will amount to Rs. 3,587 crores Thus the revenue surplus, placed in the interim budget at Rs 114 crores, will now turn into a deficit of Rs 25 crores. On the capital side, collections under the various small savings schemes are now expected to be Rs 180 crores as against Rs 155 crores indicated in the interim budget; correspondingly, however, loans to the states will also go up by Rs 16 crores, so that the net increase under this head will be only Rs 9 crores. I have also taken credit for an additional accural of Rs 40 crores under PL 480 receipts representing largely the spill-over from 1970-71. Total capital receipts, inclusive of loans and advances and transactions under various debt deposit heads, are now placed at Rs 2,024 crores and total capital expenditure, including loans and advances, is estimated at Rs 2,396 crores The capital budget will, therefore, show a deficit of Rs 372 crores as against Rs 354 crores in the interim budget. The over-all budgetary gap, taking revenue and capital accounts together, will now be of the order of Rs 397 crores. This takes into account the effect on the central budget of the changes in railway fares and freight rates announced a few days ago and of changes in the post and telegraph tariff to which I will refer a little later.

Honourable Members, I am sure, would not like me to leave uncovered a deficit of this magnitude in the budget. I will, therefore, seek their indulgence if I have now to turn to what all of you, I am sure, are waiting for, namely, proposals to bring down the deficit to a more tolerable order.

Taxing the Affluent

WHILE framing the budget proposals, the Finance Minister, Mr Y. B. Chavan, followed three broad principles. First, simplification and rationalisation of the tax structure to be brought about in such a manner that the burden of assessment for the assessee as well as the tax collector and the opportunities for evasion are minimised. Second, the burden of new taxes should be distributed in such a way that there is appreciable reduction in concentration of economic power and scaling down in the inequalities in income and wealth. Third, the incidence of fresh taxes should not be allowed to disturb the general price level of essential goods.

The full text of part 'B' of the Finance Minister's speech follows :—

The task of raising additional resources through fresh imposts on the people is the least enviable of a Finance Minister's responsibility. If I still have to approach this House with proposals to raise additional resources, it is because of the imperatives of the situation, including the need to augment the Plan outlay, to create additional employment opportunities and to offer succour to the evacuees from East Bengal.

General Principles

In framing these proposals, I have endeavoured to follow certain broad principles. These are :

(*a*) The tax structure must be simplified and rationalised in such a way that the burden of assessment for the assessee as well as the tax collector and the opportunities for evasion are minimised;

(*b*) The overall burden of taxation must be distributed amongst the different sections of the community in such a manner that, in the process, there is an appreciable scaling down of the concentration of economic power and reduction in the inequalities in income and wealth; and

(*c*) The incidence of the fresh imposts should not, as far as possible, disturb the general level of prices of essential goods.

Accordingly, the concentration of the additional tax effort, to the extent feasible, should be on direct taxes, particularly on the affluent groups, and on such categories of indirect taxes as affect the luxury and near-luxury commodities. In so far as we succeed in limiting the burden of indirect levies on the latter group of commodities, we are also able to achieve in part the other objective of improving the structure of income distribution in society.

Tax Administration

The tightening and streamlining of tax administration has two facets. First, it helps to garner additional yield from the existing tax sources and thus makes it less necessary to look for fresh tax heads every year. Second, since it is generally the well-to-do and the rich who avoid and evade taxes, a tightening of tax administration, including closing of loopholes would compel them to part with a larger proportion of their incomes and assets and would therefore further one of the overriding objectives of fiscal policy.

Undervaluation of property has been one of the means to evade wealth tax, capital gains tax and stamp duties. It has also been an important avenue for the circulation of black money. This practice could be greatly discouraged if government had the power to acquire properties at prices that correspond to what is recorded in sale deeds. Accordingly, we propose to move a Bill during the current session to acquire this power. I hope it would not be considered dishonourable to take a dishonest man at his word.

In pursuance of the Administrative Reforms Commission's recommendations, it is also proposed to sponsor legislation in the current session to discourage benami holding of property. If, at the time of assessment, a person fails to declare income from a piece of property or the property itself so as to evade payment of income and wealth

taxes, the intended legislation will debar him from enforcing his claim to such property in a court of law.

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Pursuant to the recommendations of Administrative Reforms Commission, we further propose to transfer the work of recovery of arrears of estate duty from the state governments to the Income Tax Department at the centre. Since, in this matter, we can move only with the concurrence of the state legislatures, a Bill is being drafted for circulation among the states.

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It is proposed to strengthen the Valuation Cell located in the Central Board of Direct Taxes for making valuation of buildings in order to enable it to extend its activities and speed up valuations in cases involving the assessment of wealth tax. For assessment of income-tax, under the new procedure which has come into effect from the current year, summary assessments will be completed in most cases which do not involve substantial points of dispute, and only a small proportion of the cases will be subjected to a sample scrutiny subsequently. This will enable the income tax officers to devote correspondingly more time for cases involving substantial revenue.

In the field of excise duties, I propose to set up a committee to review the Self Removal Procedure scheme, which has been in operation for the last two to three years, with a view to suggesting improvements which could reduce leakage of revenue. A study team, which considered the issues relating to over and under-invoicing, have made a number of suggestions for checking the leakage of foreign exchange through manipulation of invoice values. The government will give early consideration to implement its recommendations. With a similar purpose, a comprehensive review is being undertaken of the Foreign Exchange Regulation Act: and we propose to introduce soon a Bill to amend several provisions of this Act.

Consultation with States

In the past, at the centre, we have taken several fiscal steps to discourage the growth and concentration of excessive income and wealth in a few hands in the urban areas. The constitutional prerogative of the union government to initiate measures for similar reforms in the countryside is however severely restricted. But this does not mean that some of the present anomalies must continue or that we can be oblivious of growing inequalities in rural areas. Ultimately, the basis of tax has to be the size of income or wealth irrespective of whether it is derived from agricultural or non-agricultural sources.

Similarly, there are constitutional limitations on the powers of the centre to tax services even when these are of a luxury or semi-luxury character. As the states and the centre have to share the responsibility of raising resources for economic development, it is the duty and obligation of the centre to point out to the states untapped resources for mobilisation where the union government itself is precluded by the constitutional provisions to impose any levy. It is my intention to consult and seek the advice of the state finance ministers on the entire range of these issues and to remain in continuous touch with them so that a concerted view is taken.

I now come to the new proposals in respect of direct taxation. If we are going to make an effective dent on the problem of income inequalities in our society, we cannot possibly flinch from deploying increasingly the instrument of direct taxation. The proposals that I am outlining will have only a limited yield of revenue in the current year. Over a number of years, however, the cumulative effect of these proposals will be to raise revenue of a considerable order; what is more significant, they will bring about a significant change in the distribution of disposable income and wealth.

Taxation on Income and Wealth

In the field of personal income taxation, the rate of surcharge in the case of individuals as well as Hindu undivided families is being increased from 10 per cent to 15 per cent provided the total income exceeds Rs 15,000 per annum. In a full year, the impact of the proposal will be to provide an additional Rs 20 crores to the exchequer; for 1971-72, the revenue yield is expected to be around Rs 12 crores.

I also want to take this opportunity to increase the tax on capital gains, which are a species of unearned income. The deduction from long-term capital gains allowed in computing the taxable income of non-corporate assessees is being reduced from 45 per cent to 35 per cent where such gains relate to lands and buildings and from 65 per cent to 50 per cent in respect of other capital gains.

The incidence of tax on long-term capital gains will be increased in the case of companies as well. This increase is being brought about by raising the rates of tax from 40 per cent to 45 per cent in respect of gains relating to lands and buildings and from 30 per cent to 35 per cent in respect of other gains.

I have some fairly stiff proposals regarding wealth tax. If a significant reduction in the concentration of wealth is to be brought about, it is essential that the taxation of wealth is made more rigorous. Honourable Members will recollect that last year's budget made a beginning in this direction by raising the rates of additional wealth tax on

urban property. This year, I propose to raise drastically taxation on slabs of net wealth above Rs 15 lakhs, where the rate of tax will now be uniformly 8 per cent as against the current rates of 4 per cent on net wealth between Rs 15 lakhs and Rs 20 lakhs and 5 per cent on net wealth above Rs 20 lakhs. I also propose to include in net wealth for purposes of taxation the first Rs one lakh of wealth in the case of all individual assessees and the first Rs two lakhs for Hindu individed families. Thus, while no wealth tax will be leviable unless the net wealth exceeds Rs one lakh in the case of individuals and Rs two lakhs in the case of Hindu undivided families, once they are liable to tax, it will apply to their entire wealth. However, the exemptions in respect of approved financial investments, owner-occupied house and agricultural assets will continue.

Ceiling on Individual Wealth

To tighten the incidence, the exemption from wealth tax currently available for household or personal jewellery and for shares forming part of initial capital issues is being withdrawn. In the case of conveyances, the exemption will now be limited to Rs 25,000 in the aggregate. The existing provision in the Wealth Tax Act excluding from aggregation the assets transferred by an individual to the spouse or minor children is being done away with. A similar provision is being made in respect of conversion of assets of individuals into those of Hindu undivided families. While all these changes will not naturally yield any revenue this year, in future, the annual additional yield from these measures affecting wealth tax could be around Rs 14.5 crores. What is more important, they will impose a virtual ceiling on individual wealth at a much lower level than at present.

As a further measure to discourage evasion of tax, conversion of the separate property of an individual into property belonging to a Hindu undivided family will be brought within the ambit of the gift tax.

I am proposing several structural changes affecting the incidence of company taxation. While the rates of taxation on the ordinary income of companies are being maintained at existing levels, except for the rates on capital gains, the rate of surtax on company profits will be increased from 25 per cent to 30 per cent in the case of chargeable profits in excess of 15 per cent of the capital.

The practice of offering a development rebate in respect of new investment has had, I feel, a full play. I am accordingly serving the required notice that no development rebate will be allowed on ships acquired or machinery or plant installed after May 31, 1974. Whatever the revenue implications of this step — and they are sizable — will be fully revealed only after 1974-75, i.e., from the fifth Plan onward. But I shall consider myself amply rewarded if advance notice of this change quickens the pace of investment in the remaining years of the fourth Plan.

At present, in the case of new industrial undertakings, ships and approved hotels, profits upto 6 per cent of the capital employed are entitled to tax exemption for a period of five years. Since debentures and long-term borrowings do not in any manner represent risk capital and interest thereon is in any case deducted, it was generosity on the part of the government to extend the tax holiday provision even to such constituents of capital. I now propose that in calculating the limit of 6 per cent of the capital for purposes of tax-exemption, debentures and long-term borrowings will be excluded. This single measure will provide the exchequer with Rs 10 crores during the current year; the yield for a full year will be of the order of Rs 14 crores.

Priority industries currently enjoy a special tax exemption up to 8 per cent of their profits. I am proposing that the special exemption be reduced to 5 per cent of such profits. In addition, we have also decided to shorten the list of priority industries by excluding aluminium, motor trucks and buses, cement and refractories, soda ash, petrochemicals and automobile ancillaries. The general economic conditions are now such that it is not necessary that these industries should continue to enjoy special benefits which were accruing to them hitherto. The two measures in relation to priority industries should yield Rs 8 crores in future years; in 1971-72 the yield is likely to be about Rs 6 crores.

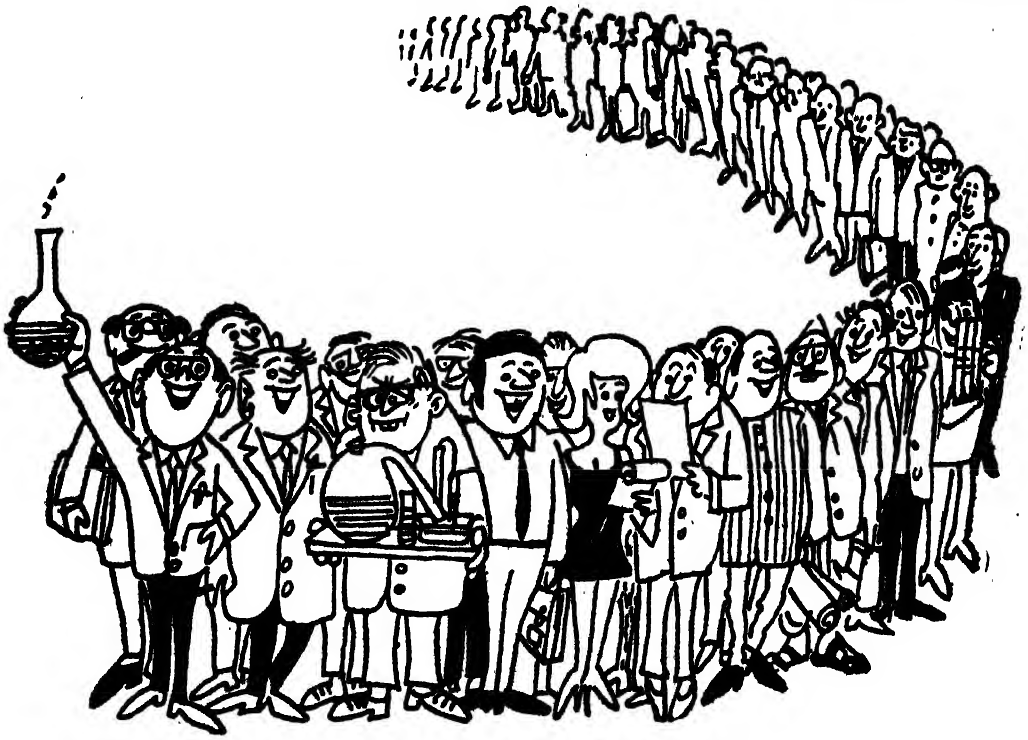
The deducation of income upto Rs 3,000 in aggregate from investments in specified financial assets which was provided for last year will from now on be admissible only to individuals and Hindu undivided families.

Foreign Companies

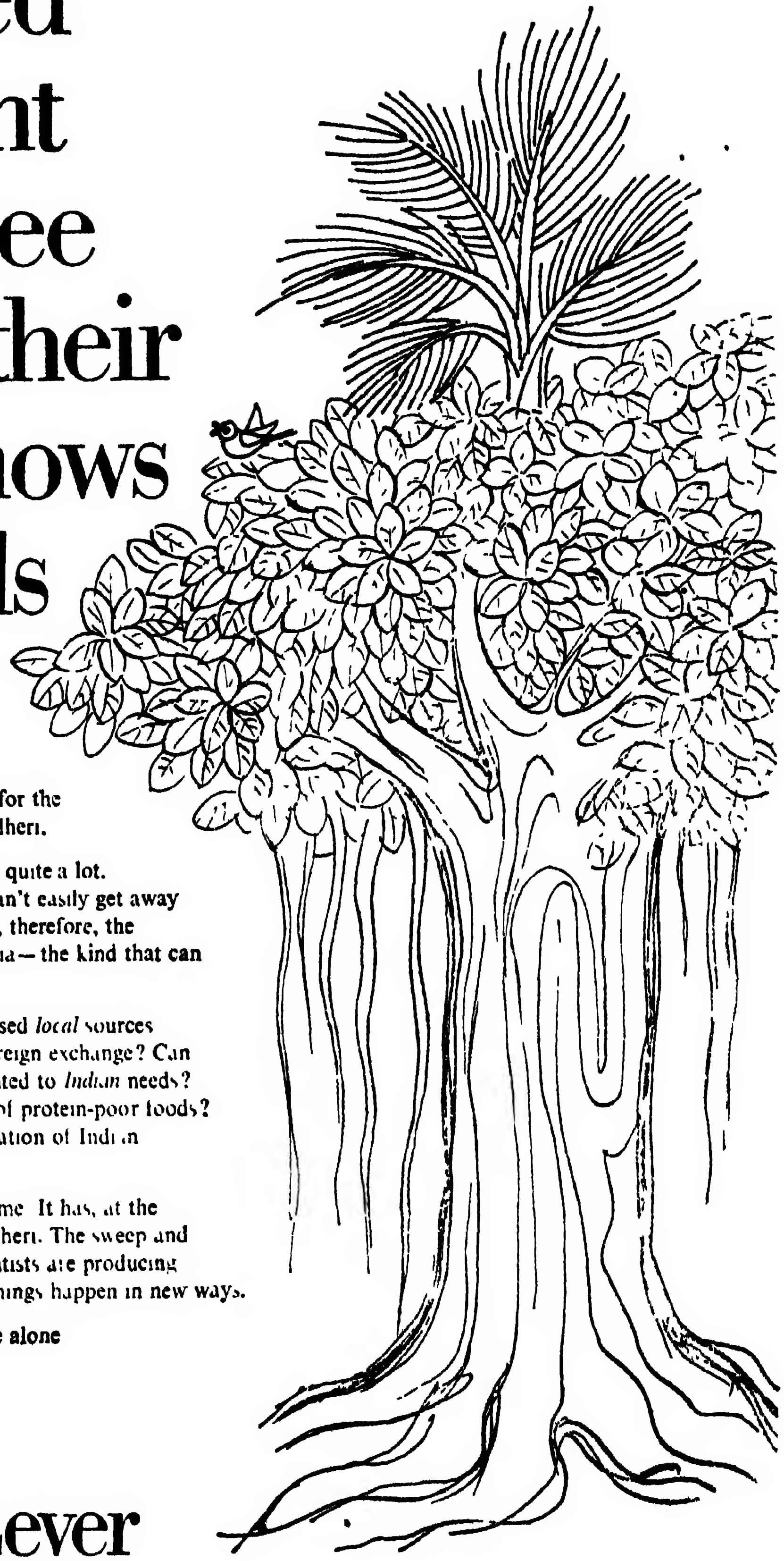
The concessional tax treatment of dividends received by foreign companies from a closely-held Indian company engaged in a priority industry will be discontinued; the foreign companies will be subjected to tax on such dividends at the usual rate of 24.5 per cent.

I am firmly of the view that the fiscal instrument must be deployed to discourage payment of high salaries and remunerations which go ill with the norms of egalitarian society. I accordingly propose to impose a ceiling on the remuneration of company employees which would be deductible in the computation of taxable profits. The ceiling is being set at Rs 5,000 per month. Together with the existing ceiling of Rs 1,000 per month in the case of perquisites, the allowable overall ceiling on reumuneration and perquisites, for purposes of taxation will be at Rs 6,000 per month. In addition, I am proposing to reduce the tax deductible limits of daily allowance to employees while on tour.

Having already delivered the rough tidings, let me now



They saved the ancient banyan tree and now their daring knows no bounds



'Let it stand,' someone said of the banyan tree as the site was being cleared for the Hindustan Lever Research Centre, at Andheri.

So the tree still stands—and it stands for quite a lot. For one thing, the tree signifies that we can't easily get away from what is home-grown. Appropriately, therefore, the Centre will tackle problems rooted in India—the kind that can only be solved here.

Can we discover and exploit hitherto unused *local* sources of oil, thus cutting imports and saving foreign exchange? Can we develop milk foods that are ideally suited to *Indian* needs? How can we improve the nutritive value of protein-poor foods? Can we develop processes for the preservation of Indian type food dishes?

Research on all this can only begin at home. It has, at the Hindustan Lever Research Centre in Andheri. The sweep and thrust of the studies are daring. The scientists are producing new devices for old, making traditional things happen in new ways.

They have, of course, left the banyan tree alone to grow by itself.

Hindustan Lever

Lintas HLL/FR. 9A-205

detail some of the smoother ones. I propose to raise the standard deduction currently allowed for the computation of taxable income of employees who own a motor-cycle, a scooter or a moped from Rs 60 to Rs 75 per month; for others, who do not possess any of these, the standard deduction will be raised from Rs 35 to Rs 50 per month.

The quantum of deduction in respect of long-term savings through life insurance, provident fund contributions, etc., is being substantially modified. At present, 60 per cent of the first Rs 5,000 together with 60 per cent of the balance of such long-term savings are tax exempt. I am now proposing that for the first Rs 1,000 of such savings, the quantum of deduction should be 100 per cent. On the next Rs 4,000 of the qualifying savings, the proposed deduction will be 50 per cent, and on the balance 40 per cent. The limit for the savings qualifying for deduction will be raised from Rs 15,000 to Rs 20,000 in the case of individuals.

As a result of the changes in the standard deductions allowable for conveyance and long-term savings an employee with an annual income of Rs 6,000 will be exempt from income taxation provided he saves at least Rs 400 in the approved form.

The tax concessions for promoting development and export of technical know-how and technical services, which have been available only to companies, will from now on also apply to individuals, Hindu undivided families and partnership firms. Certain further tax concessions are also at present available for expenditure on research and development. A committee has recently been set up by the government to review the position and make recommendations regarding futher fiscal incentives that could be offered to encourage industrial research. The recommendations of the committee will be given due weight.

The special deduction of income upto Rs 3,000 from investments in specified financial assets available to individuals and Hindu undivided families would henceforth also cover interest on deposits with a co-operative society made by its members. Moreover, the interest paid by a co-operative society to its members on deposits made by them will be exempted from the requirement of deduction of tax at source. Shares of, and member-deposits with, a co-operative society will be regarded as approved investments which are exempt from wealth tax up to Rs 1.5 lakhs. But I propose to withdraw the exemption in respect of such investment in the case of discretionary trusts which are subject to taxation on their net wealth at the flat rate of 1.5 per cent, or at the rate applicable in the case of an individual, whichever is higher.

There are certain minor concessions which I would now mention together. Co-operative societies of workers or those engaged in fishing and allied activities will be exempted from tax on their entire business income. Local authorities deriving income from the supply of water or electricity to villages outside their jurisdiction will be exempted from tax on such incomes. A member of a co-operative housing society, to whom a building or a flat has been allotted under a house-building scheme of the society, will be regarded as the owner of that piece of property for purposes of wealth tax.

The Housing and Urban Development Finance Corporation will be exempted from tax on its income for a period of ten years; the tax-exempt status of the Deposit Insurance Corporation will be extended by a further period of five years.

This brings me to the close of the various proposals relating to direct taxation. After taking into account the concessions, the net yield from the new direct tax measures from 1972-73 will be of the order of Rs 57 crores. For 1971-72, however the realisation is unlikely to exceed Rs 27 crores.

I now turn to indirect taxes. My proposals regarding customs duties belong broadly to two categories. The first set of proposals is aimed at rationalising the rates structure of import duties. The other group of proposals is related to, and consequent on, the arrangements reached with a number of foreign countries who have agreed to release us from the bindings under the General Agreement on Tariffs and Trade in the matter of import levy on certain commodities.

Import Duties

The existing rates structure of import duties, I confess, forms a complicated pattern. As of now, there are seven ad valorem rates of duty in force: 15 per cent, 27½ per cent, 35 per cent, 40 per cent, 50 per cent, 60 per cent and, finally, 100 per cent. In order to introduce an across-the-board simplification and to remove existing anomalies, I propose to have only four effective rates of import duty, namely, 30 per cent, 40 per cent, 60 per cent and 100 per cent.

I propose to bring in all items of machinery within the orbit of 30 per cent import levy. While this would imply a marginal increase of 2½ percentage points in the rate of duty in respect of project imports, the decrease of duty by 5 percentage points in respect of machinery in general would provide relief to smaller industrial units and units manufacturing equipment who import a part of the components and all those who need to import small items of machinery by way of spares or balancing equipment. The equalisation of rates for all kinds of machinery would also simplify assessment and, I hope, speed up assessment work.

Items such as agricultural machinery and implements, dairy and poultry farming appliances would also now attract duty at the rate of 30 per cent instead of 15 per cent.

Certain basic raw materials and non-ferrous metals will from now on be liable to duty at the uniform rate of 40 per cent. Iron and steel and unwrought copper will, however, attract the lower duty of 30 per cent.

It is proposed to eliminate the present rate of duty of 50 per cent and levy instead a higher rate of 60 per cent on most items. A similar upward revision has already been made in the course of the past two years with respect to the duty on chemicals, drugs, medicines, electrical and non-electrical appliances. What I am proposing now, therefore, is to bring all similar items together under the umbrella of the same rate of duty.

Till now, certain items used by the more affluent sections of the community, such as automobile components and dry fruits, were liable to a duty of 60 per cent instead of 100 per cent which is the standard rate for most imported consumer goods. This anomaly is now being removed. In addition, in view of the increase in the c.i.f. price as well as the high margin of profit, the specific rate applicable to cloves is being increased from Rs 18 per kilogram to Rs 60 per kilogram.

As a result of the release from the GATT bindings, we are now in a position to either impose a duty, or raise the existing rates of duty, on a number of items, including agricultural tractors, earth-shifting machinery, staple fibre excluding yarn, raw wool, unwrought copper, zinc and pig lead. I propose to avail of the opportunity. In view of the high margin of profit on imported staple fibre, I am proposing that the duty on it be fixed at 100 per cent. On unwrought zinc, pig lead and raw wool, the duty will be 40 per cent and on copper 30 per cent. Given the large disparity between the prices of imported and indigenous tractors, I have also decided on a levy of 30 per cent on imported agricultural tractors. The same rate of duty will apply on earth-shifting machinery.

Taking into account the effect of the rationalisation of import duties as well as the adjustments following from the release from the GATT bindings and the countervailing levies related to changes in excise duties to which I would soon turn, we should be able to get additional revenue to the extent of nearly Rs 54 crores during the remaining part of the year.

Excise Duties

I now come to the proposals with respect to excise duties. Pursuant to the decision to continue the scheme of levying additional excise duties in lieu of sales tax on sugar, textiles and tobacco, we are committed to raise the over-all incidence of these additional duties to 10.8 per cent on the value of clearances by the end of the fourth Plan period. Since this target has to be attained by 1973-74, it has become necessary to make a substantial beginning in the current year itself. For the present, I have decided to concentrate on cigarettes and, to some extent, on textiles.

There comes perhaps a time in the life of every smoker when the concern for his own health begins to outweigh the loyalty to an old and faithful companion. For those who cannot shake off their consuming passion, there is at least the consolation that the more taxes they pay, the more they serve the common cause. I am, therefore, fortified in my decision to increase once again the taxation on cigarettes by the thought that whichever way my smoking friends react, there would be a net gain to national welfare. In place of

the existing three slabs of duty on cigarettes, I propose to have five. By suitable adjustments of the basic and additional duties on these slabs, I hope to raise during the current year Rs 33.20 crores of which Rs 16.40 crores would go to the states by way of additional excise in lieu of sales tax. The effect of the proposals would be a marginal increase in the price of the cheaper varieties of cigarettes, but a much sharper increase for the more expensive varieties.

Textiles, particularly coarse and medium varieties of cloth, are a basic necessity, and their prices rose rather inordinately in 1970-71. Despite other constraints, I have therefore decided that the impost on textiles should be modest this year. I propose to step up slightly the additional excise duties on medium A and medium B varieties of cotton textiles from 4.8 paise to 6 paise per square metre and also to round off the additional duty leviable on coarse cloth from 3.6 paise to 4 paise per square metre. With respect to superfine and fine cloth, however, I propose to go much further and raise the rates of the additional excise duty to 25 paise and 15 paise respectively per square metre. These several measures should fetch an additional revenue of Rs 4.90 crores which will accrue entirely to the states.

Excise on Motor Spirit

My other major proposal in regard to excises is in the area of motor spirit, solvents and a number of other minor lubricants. In view of the rise in international oil prices, there is need for the maximum economy in the utilisation of petroleum and petroleum products if we are to conserve our scarce foreign exchange resources. No doubt, there will be a certain hardship involved in this, but I am afraid it has to be borne by our people. To curb consumption, I, therefore, propose to increase the duty of motor spirit by Rs 200 per kilolitre or 20 paise per litre. This measure will fetch an additional revenue of Rs 36.30 crores in the current year.

There is extensive misuse of certain special boiling point spirits, otherwise known as solvent oils, as adulterants for motor spirit. To discourage this practice, I propose to raise the duty on solvents from the present rate of Rs 45 per kilolitre to Rs 845 per kilolitre. This measure will yield Rs 4.25 crores during the current year.

Similarly, to prevent the adulteration of mineral turpentine oil with superior kerosene, an extra duty of Rs 100 per metric tonne is being imposed on the former. In the case of liquid petroleum gas, I am proposing to abolish the ad valorem duty of 20 per cent and, instead, impose a specific duty of 25 paise per kg. The rate of duty which at present obtains on lubricating stock oils and greases directly derived from refined petroleum would also from now on apply to blended lubricating oils, greases and calcined petroleum coke. However, the base petroleum products used in the manufacture of the latter items would be given a credit for the duty that might already have been paid. I expect these measures to yield an additional revenue of Rs 9 crores during 1971-72.

At present, carbon dioxide is liable to duty, but other gases, such as oxygen, chlorine, ammonia and refrigerant gases are exempt; these exemptions are being withdrawn. However, oxygen for medicinal use and ammonia used in the manufacture of fertilizers would continue to be exempted from duty. This measure is expected to yield Rs 1.60 crores.

I also propose to raise the basic duty on glassware to 20 per cent and on sheet and plate glass to 15 per cent. Glass shells, glass globes and laboratory glassware would be left untouched. While the duty on sanitary and glazed wares was revised last year, tableware and china were left undisturbed. This deficiency I propose to make good this year; both these items will now attract a uniform duty of 20 per cent. These two changes are estimated to provide us this year with additional revenue of around Rs 3.15 crores.

While air-conditioners pay a duty at the rate of 53.3 per cent, till now, the evaporative type of coolers have been exempt from duty. This discrimination deserves to be removed. However, I am proposing a duty of only 25 per cent on them and, at the same time, exempting them from the payment of the special excise duty. Vacuum flasks, similarly exempt till now, will also have to bear a levy of 15 per cent ad valorem. The gain to revenue would be Rs 54 lakhs in the current year.

It is proposed to revise the duty on soap from the present effective rate of 11.4 per cent to 15 per cent. This would result in only a marginal increase in the price of toilet soaps. Household and laundry soaps are being left untouched. Because of partial exemption, the effective rate of duty on surface active agents works out to even less than that on ordinary household and laundry soaps. It is therefore proposed to abolish the partial exemption and restore the full statutory rate of duty on these products. These two revisions — relating to soap and surface active agents—are likely to yield a revenue of Rs 2.55 crores for the rest of the year.

It is also proposed to tax certain other luxury items. Latex foam sponge, used extensively in the manufacture of

foam mattresses, bears at present a relatively low basic rate of duty of 20 per cent ad valorem; I propose to double this rate of duty. A similar levy will be imposed on polyurethane foam as well as certain products made out of this particular foam. The basic rate of duty on plates, sheets and strips of rubber is also being stepped up from 20 per cent to 25 per cent ad valorem. These measures would bring in Rs 2.60 crores of additional revenue in 1971-72.

The duty on crown corks and pilfer-proof caps is proposed to be raised from 1 paisa to 2 paise each. This measure is expected to yield Rs 1.90 crores.

A few other changes are being proposed by way of rationalisation. These include an excise levy on dehydrated canned and bottled vegetables and on preparations of glucose and dextrose, the removal of the special concession of 50 paise per kg. on the basic excise duty for certain varieties of staple fibre, the rounding off of the duty on cement from 23.76 per cent to 24 per cent, revising the duty upwards on woollen yarn and shifting a portion of the incidence to wool tops, revising the rates of duty on electric lighting bulbs other than those of 60 watts and less, revising the rates for fluorescent tubes as well as for electric fans and industrial fans other than those of a diameter not exceeding 16 inches, and removal of the concession of Rs 500 per tonne on copper used in the manufacture of wires and cables. These assorted measures would yield a combined revenue of over Rs 6 crores.

I have talked earlier about the need for the rapid reduction of income inequalities not only in the urban areas but also in the countryside. One way in which this could be brought about is through levying selectively indirect taxes on products and equipment used in agricultural operations by the richer sections of the peasantry. I propose, therefore, to tax agricultural tractors by charging a duty of 10 per cent ad valorem; this levy is likely to fetch a revenue of Rs 3.40 crores in the current year.

To augment revenue, several new items are being introduced into the orbit of central excise taxation. The commodities and the rates of duty are being so chosen that the net effect of these imposts on the price level will be negligible. The items I propose to bring in include perfumed hair oil, shampoos, lipsticks, pressure cookers, playing cards, zip fastners, photographic cameras, cinematographic projectors and linoleum. Very few of us perhaps would like to venture an opinion on the contribution made by perfumed hair oil, lipsticks or playing cards to the style, pace and quality of living in modern India. But Honourable Members will, I am sure, agree with me that most of these commodities constitute the appurtenances of high living; excise levies on them will have little effect on the level of living of the overwhelming mass of the community.

Levy on Ready-Made Garments

For the same reason, I am proposing a levy on certain ready-made garments which are mostly purchased by the well-to-do. However, in order to protect the small manufacturers, this levy will be confined to ready-made garments manufactured with the use of power and sold under registered trade marks or brand names. As a further concession to the small producers, clearances upto a specified value would be excluded from the excise provided the aggregate annual output in the unit concerned does not exceed a ceiling.

I also propose to introduce an excise levy on a number of producer goods such as ball and roller bearings, bolts, nuts and screws, electric insulation and non-medical adhesive tapes, welding electrodes, grinding wheels and motor starters, as it is difficult to tax the end-products of these items and we are currently losing some potential revenue. The rate of duty will be 10 per cent. It is also proposed to charge a duty of 10 per cent on electric supply meters, typewriter ribbons, mosaic tiles, fork lift and platform trucks and certain motor vehicle parts and accessories. Wherever necessary the interests of the small producers will be protected by a concession similar to the one I have mentioned in the context of ready-made garments.

Four more chemicals are being added to the list of excisable chemicals, and will be liable to duty at 10 per cent. A similar levy will also be imposed on camphor and menthol.

These various measures of new excise levies together are likely to yield Rs 15 crores.

I now want to announce an important new measure intended to meet the cost of the programme for children's health and nutrition. I propose to levy a duty of 10 paise per kg. on Maida processed by roller flour mills in the organised sector. This particular flour is usually consumed by the richer sections of the population and otherwise used in the manufacture of sweets; the consumption of bread, another item in the manufacture of which Maida is used, is again mostly confined among the higher income groups. I am sure the slight additional expenditure which this levy would imply would be cheerfully borne by these consumers since the resultant revenue of Rs 7.4 crores which will acrue to the centre will be earmarked for being spent on the welfare of children. In addition, the states also will receive nearly Rs 1.8 crores from this measure.

I will now refer to a few excise concessions which I have considered desirable. To promote the use of minor oils in the manufacture of soap and thereby reduce our dependence

on imported tallow and oils, I propose to reduce the incidence of the duty on soap whereever there is certain minimum use of minor oils like neem and sal. The rate of duty on sodium silicate will be reduced to encourage the output of cheaper varieties of soap in the small-scale sector. In order to foster the greater utilisation of cottonseed oil, the existing excise rebate for using this oil in the manufacture of vanaspati will be increased. A similar concession is also proposed to be accorded to rice-bran oil.

Relief of Marginal Units

With a view to providing some relief to the small and marginal units using powerlooms for manufacturing cotton fabrics, I propose to reduce the rate of compounded levy on units where not more than four powerlooms are installed from Rs 50 to Rs 10 per loom per annum. In the case of units employing more than four powerlooms, the compounded levy will be half of the existing rates. The concession at present available to independent processors, will be rationalised. There are also a couple of marginal concessions for the manufacturers of embroidery and leather cloth.

All these reliefs and concessions together would cost the exchequer around Rs 1.50 crores for the remaining part of the year.

This brings me to the end of the rather long enumeration of the proposed changes with regard to excise duties. Taking all the proposals for excise duties together, the total yield for the rest of the current financial year will be roughly Rs 89 crores for the centre and Rs 43 crores for the states.

I am afraid, having dealt with direct taxes, customs and excises, I am not quite through as I have yet to propose to the Honourable Members a new measure which is not quite in the nature of an excise levy. This is a tax which I propose to impose on foreign travel. The levy will be at the rate of 20 per cent ad valorem on all tickets purchased in rupees; tickets paid for in foreign exchange will be exempt. The only other major exemption would be for students and scientists. The estimated revenue from this measure which would come into effect from a date to be notified later, would be about Rs 7.0 crores. In case any Honourable Member feels that I am taking away what many airlines have graciously offered by way of concessional fares, I wish to assure them that with the proposed ad valorem tax, the value of the concession in absolute terms would in fact be enhanced.

And now I come to the final set of proposals I have to announce on behalf of my colleague, the Minister for Communications. Honourable Members are aware that Posts and Telegraph branches have incurred heavy losses in the past and are anticipated to show a loss of as much as Rs 15 crores during the current year. Both the Tariff Inquiry Committee which was set up to examine the rates structure of the Posts and Telegraphs Department and the Administrative Reforms Commission have recommended the need for financial viability and the desirability of surplus being generated from the operation of Posts and Telegraphs. A certain upward revision in tariffs is therefore inescapable. While proposing this revision, we have kept in view the problems faced by the less affluent sections of society; items like postcards, letter cards, and letters have thus been kept completely out of the purview of the upward adjustment of rates. Most of the proposed increases relate to registration fees for postal articles, and telegraph and telephone tariffs. The registration and

parcel fees are being raised by 5 paise and 10 paise respectively for 400 grams. There are also minor adjustments in the charges for telegrams consisting of more than 8 words as well as in the rentals for telephones, teleprinters and telex services. The memorandum detailing the proposed changes is being circulated along with the budget papers.

So far as the union budget is concerned, the various proposals outlined would imply, for 1971-72, additional revenue aggregating to Rs 177 crores. The budgetary gap of Rs 397 crores I had indicated earlier will accordingly be now scaled down to Rs 220 crores.

I have now come to the end of my labours. Quite candidly, it has been for me a difficult budget to frame. There are a wide range of fiscal proposals and, in some directions, the impact of the new levies cannot but be considerable. Let me remind Honourable Members, however, that the price rise in the economy has been sufficiently disquieting last year, and the budgetary deficit must therefore be kept within reasonable limits. In addition to the obligation that we owe to the community to increase substantially the size of the Plan and to provide for greater employment opportunities, there is, at this stage, still the imponderable factor of the developments in East Bengal and the rising flood of evacuees.

Fiscal policy, however, is not a matter simply, or even primarily, of raising resources to meet the inescapable demands on the national exchequer. It must serve larger objectives as well and guide the economy in desired directions. It must, in particular, make a significant impact on existing inequalities in income, wealth and economic power and reduce ostentatious consumption. It is for this reason that, in the field of direct taxation, I have introduced a number of measures whose significance to revenue in the short run may not be so great but which are vital for the achievement of a just society. In the field of indirect taxation also, objectives such as those of reducing pressures on our balance of payments have been kept in mind; and care has been taken to ensure that only a small proportion of the additional burden is borne by the common man.

It is hardly possible to claim that a new social and economic order can be ushered in through budgetary policy alone, much less through a single budget. In a budget of this magnitude it is also difficult to reconcile all the objectives we have set before ourselves. But I hope I have not flinched from the duty of trying to meet the immediate and urgent requirements while furthering our accepted objective of a truly socialist society.

Budget at a Glance

REVENUE BUDGET

(In crores of rupees)

Revenue Receipts

	1970-71 Budget	1970-71 Revised	1971-72 Budget
Tax Revenues	3,134	3,197	3,403 +220*
Less—States' Share of Tax Revenues	744	755	850 +43*
Net—Centre's Tax Revenues	2,390	2,442	2,553 +177*
Non-Tax Revenues	900	949	1,009
Total—Centre's Revenues ..	3,290	3,391	3,562 +177*

Revenue Disbursements

	1970-71 Budget	1970-71 Revised	1971-72 Budget
Civil Expenditure	1,498	1,524	1,725
Defence Expenditure ..	1,018	1,040	1,079
Grants-in-aid to States and Union Territories with Legislatures	636	629	783
Total—Revenue Expenditure	3,152	3,193	3,587
Revenue Surplus (+) .. / Deficit (—)	+138	+198	(—) 25 (+) 177*

CAPITAL BUDGET

Capital Receipts

	1970-71 Budget	1970-71 Revised	1971-72 Budget
Market Loans (Net) ..	162	136	168
External Aid (other than PL 480)	400	355	324
PL 480 Aid	132	122	113
Loan Repayments	825	930	930
Other Receipts	305	562	489
Total—Capital Receipts ..	1,824	2,105	2,024

Capital Disbursements

	1970-71 Budget	1970-71 Revised	1971-72 Budget
Civil Expenditure	525	684	491
Defence Expenditure ..	134	143	163
Railway Capital Outlay ..	150	126	151
P & T Capital Outlay ..	35	16	38
Loans and Advances :—			
(i) States and Union Territories	878	1,040	966
(ii) Others	467	524	587
Total—Capital Disbursements	2,189	2,533	2,396
Deficit on Capital Account	(—) 365	(—) 428	(—) 372
Overall Deficit	(—) 227	(—) 230	(—) 397 (+) 177*

*Effect of Budget Proposals

DETAILS OF TAX AND NON-TAX REVENUE

Tax Revenue

(In thousands of rupees)

Heads of tax revenue	1970-71 Budget	1970-71 Revised	1971-72 Budget
Customs	465,00,00	487,62,00	480,00,00 +54,00,00*
Union Excise Duties	1812,75,00	1805,24,00	1951,17,00 +131,94,00*
Less—Share payable to States	—34,97,00	—	—42.57,00*
Corporation Tax	342,00,00	365,00,00	395,00,00 +16,00,00*
Taxes on Income Other than Corporation Tax	436,75,00	460,00,00	480,00,00 +11,00,00*
Less—Share of States	(—)348,29,98	(—)359,09,47	(—)420,77,49
Estate Duty	7,50,00	7,00,00	7,00,00
Less—Share of States	(—)7,17,01	(—)6,29,84	(—)6,70,05
Taxes on Wealth	18,00,00	16,00,00	30,00,00
Expenditure Tax	83	25	25
Gift Tax	1,50,00	2,00,00	2,00,00
Other Heads	50.62,40	54,63,79	57,95,17 +7,00,00*
Net—Centre's Tax Revenues	2743.69,24	2832,10,73	2975,64,88 +177,37,00*
Less—States' share of Union Excise Duties provided for in the Expenditure Estimates in the Budget.	353,45,86	390,03,73	422,84,64
Net Centre's Revenues	2390,23,38	2442,07,00	2552,80,24 +177,37,00*

*Effect of budget proposals.

Non-Tax Revenue

(In crores of rupees)

Heads of revenue	1970-71 Budget	1970-71 Revised	1971-72 Budget
I. Interest Receipts..	611.27	630.12	661.78
II. Administrative Services	10.33	10.52	10.40
III. Social and Developmental Services ..	32.94	34.90	40.14
IV. Multipurpose River Schemes, etc. ..	15.48	15.41	16.02
V. Public Works, etc.	7.11	7.57	7.54
VI. Transport and Communications ..	14.18	14.97	16.58
VII. Currency and Mint	98.07	99.36	124.23
VIII. Miscellaneous ..	48.06	78.61	70.99
IX. Contributions and Miscellaneous Adjustments ..	45.91	46.63	50.13
X. Extraordinary Items	16.40	11.27	11.70
Total—Non-Tax Revenues	899.75	949.36	1009.51

DETAILS OF DISBURSEMENTS ON REVENUE ACCOUNT

(In crores of rupees)

	1970-71 Budget	1970-71 Revised	1971-72 Budget
A. Civil Expenditure			
Collection of Taxes and Duties ..	48.55	48.08	50.88
Debt Services ..	597.48	603.91	648.39
Administrative Services	189.70	200.93	236.61
Social and Developmental Services ..	319.85	313.72	376.40
Multi-purpose River Schemes, etc. ..	14.56	15.17	20.43
Public Works, etc. ..	42.63	39.80	42.71
Transport and Communications ..	20.80	21.60	22.62
Currency and Mint ..	26.00	26.92	28.35
Miscellaneous ..	221.26	234.30	277.97
Contributions and Miscellaneous Adjustments	10.77	13.07	13.45
Extraordinary Items	6.64	6.60	6.62
Total—Civil Expenditure ..	1498.24	1524.10	1724.43
B. Defence Expenditure (Net)	1017.84	1039.89	1079.23
C. Grants-in-aid to States and Union Territories with Legislature ..	636.10	629.30	783.20
Total	3152.18	3193.29	3586.86

CAPITAL BUDGET: RECEIPTS AND DISBURSEMENTS

Capital Receipts

(In crores of rupees)

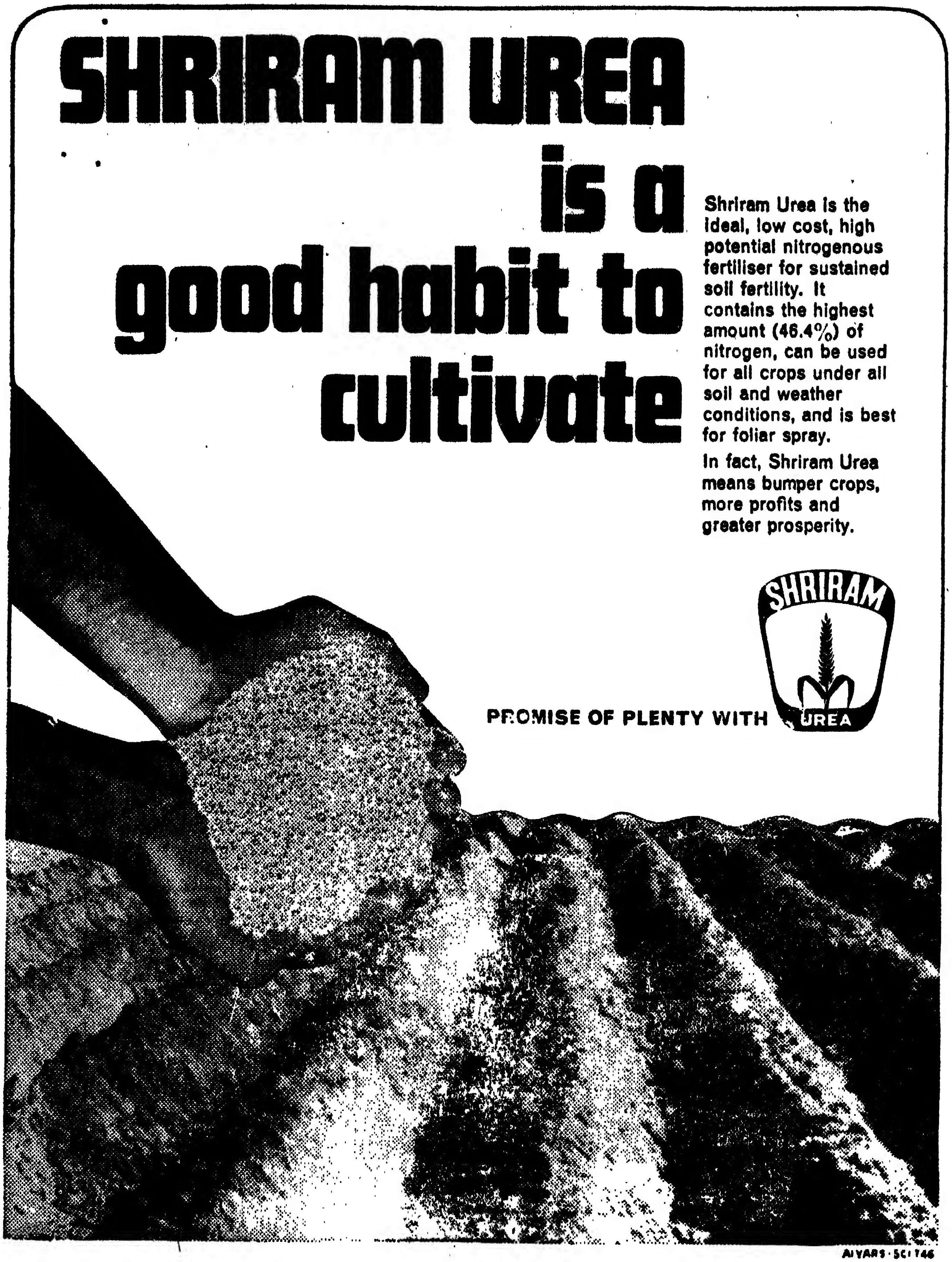
	1970-71 Budget	1970-71 Revised	1971-72 Budget
1. Market Loans			
Gross Borrowings ..	455.00	427.59*	500.00
Less—Repayments ..	293.30	291.30	332.10
Net Borrowing ..	161.70	136.29	167.90
2. External Aid (Other than P. L. 480) ..			
Gross Borrowings ..	600.00	550.00	540.00
Less—Repayments ..	200.25	195.46	216.23
Net Borrowing ..	399.75	354.54	323.77
3. P. L. 480 Aid			
Dollar Credit ..	84.00	81.37	114.37
Rupee Loans ..	35.00	50.00	12.00
P. L. 480 Deposits (Net)	13.27	(—)9.59	(—)13 04
Total	132.27	121.78	113.33
4. Repayment of Loans and advances	825.00	930.00	930.00
5. Other Items (Net) ..			
(i) Small Savings ..	140.20	145.30	180.40
(ii) Other Receipts ..	164.79	416.96	308.14
Total—Capital Receipts	1823.71	2104.87	2023.54

* Excludes Rs. 75 crores of *ad hoc* treasury bills converted into dated securities.

Disbursements on Capital Account

(In crores of rupees)

	1970-71 Budget	1970-71 Revised	1971-72 Budget
A. Civil Expenditure :			
1. Social and Developmental Services ..	348.87	322.30	305.97
2. Multi-purpose River Schemes, etc ..	71.25	59.40	58.20
3. Public Works, etc.	92.64	79.85	100.46
4. Transport and Communications ..	28.71	23.32	30.67
5. Currency and Mint	12.03	184.28	9.05
6. Miscellaneous ..	(—)29.15	14.88	(—)13.43
Total—Civil Expenditure ..	524.35	684.03	490.92
B. Posts and Telegraphs	35.00	15.80	38.60
C. Railway Capital Outlay	150.00	126.10	151.00
D. Defence Capital Outlay	133.67	142.94	162.43
E. Loans and Advances—			
1. States and Union Territories	878.25	1039.49	966.30
2. Others	467.19	524.22	586.64
Total—Loans and Advances ..	1345.44	1563.71	1552.94
Total Capital Disbursements ..	2188.46	2532.58	2395.89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Finance (No. 2) Bill, 1971 : Proposals Explained

THE TEXT of the Official Memorandum explaining the provisions of the Finance (No. 2) Bill, 1971, is given below:—

Provisions Relating to Direct Taxes

The provisions in the Finance (No. 2) Bill, 1971 in the sphere of direct taxes relate to the following matters:—

(*i*) Prescribing the rates of income-tax (including surchargs where applicable) on incomes liable to tax for the assessment year 1971-72; the rates at which tax is deductible at source during 1971-72 from interest (including interest on securities), dividends, salaries and other categories of income liable to such deduction under the Income-tax Act; and the rates for computation of advance tax and charging of income-tax on current incomes in certain cases for the financial year 1971-72.

(*ii*) Amendment of the Income-tax Act, 1961, with a view to raising additional revenue; providing greater incentives to savings and investment; widening the area of tax incentives for development of technical know-how and technical services both for export and use within India; imposing restraints on business expenses so as to reduce income disparities; providing tax reliefs in certain directions and removing anomalies and practical difficulties in certain cases; rationalising and simplifying some of the existing provisions; streamlining the work of recovery of arrears of taxes; and a few other matters.

(*iii*) Amendment of the Wealth-tax Act, 1957, with a view to raising additional revenue and reducing disparities in the distribution of wealth; providing tax relief to members of co-operative housing societies; plugging the loophole in the law leading to tax avoidance through the medium of Hindu undivided families; and a few other matters.

(*iv*) Amendment of the Gift-tax Act to plug the loophole for evasion of gift-tax through the device of converting separate property into joint Hindu family property, and for certain other matters.

(*v*) Amendment of the Companies (Profits) Surtax Act, 1964 so as to increase the rate of surtax at higher ranges of profitability.

(*vi*) Amendment of the Deposit Insurance Corporation Act, 1961 so as to extend the period of exemption from tax on the income of the corporation.

(*vii*) Exemption from tax of the income of the Housing and Urban Development Finance Corporation for a 10-year period.

2. The Bill follows the principle (adopted since 1967) that changes in the rates of tax as also in the other provisions of the tax laws should, ordinarily, be made operative prospectively in relation to current incomes and not in relation to incomes of the past year. The substance of the main provisions in the Bill relating to direct taxes is explained in the following paragraphs.

INCOME TAX

I. Rates of Income-tax in respect of incomes liable to tax for the assessment year 1971-72.

3. In respect of the incomes of all categories of assessees (corporate as well as non-corporate) liable to tax for the current assessment year 1971-72, the rates of income-tax under the Bill are the same as those laid down in Part III of the First Schedule to the Finance Act, 1970 for the purpose of computation of advance tax, deduction of tax at source from the "salaries" and retirement annuities payable to partners of registered firms engaged in specified professions, and computation of the tax payable in certain special cases, during the financal year 1970-71. These rates were already prescribed for the assessment year 1971-72 under the earlier Finance Act of 1971, which applied the relevant provisions of the Finance Act, 1970 to the financial year 1971-72 with certain modifications so as to bring these in line with the current provision of the Income-tax Act. These modifications, which have also been incorporated in the present Bill, are the following:—

(*i*) It is being provided in sub-clause (3) of clause 2 of the Bill that in cases to which Chapter XII or Section 164 of the Income-tax Act applies, the tax chargeable for the assessment year 1971-72 shall be determined as provided in that chapter or in that section and with reference to the rates imposed under the Bill for the assessment year 1971-72 or the rates as specified in the said Chapter XII or Section 164, as the case may be.

(*ii*) An *Explanation* is being added at the end of paragraph C of Part I of the First Schedule to make it clear that the rates of income-tax and surcharges prescribed in the case of registered firms for the assessment year 1971-72 will apply also in the case of an unregistered firm assessed as a registered firm under Section 183(*b*) of the Income-tax Act.

The modification at (*i*) is being made in the context of the provision made in Section 164 of the Income-tax Act, through the Finance Act, 1970, for charging tax on the income of a discretionary trust at the flat rate of 65% or at the rate which would have been applicable if such income were the total income of an association of persons, whichever is higher. The modification at (*ii*) above is being made in the context of the amendment of Section 183(*b*) of the Income-tax Act, by the Taxation Laws (Amendment) Act,1970, under which an unregistered firm may be assessed as a registered firm and subjected to the tax chargeable on registered firms at the rates specified in this behalf in the annual Finance Act and its partners charged to tax on their respective shares in the total income of the firm, where this course is beneficial to the revenue.

4. The rates of income-tax (including surcharges on income-tax) for the assessment year 1971-72 in the case of individuals, Hindu undivided families, firms and other categories of non-corporate tax-payers have been specified in Paragraphs A to D of Part I of the First Schedule to the Bill. The table in Annexure A shows the tax (including surcharge) payable at these rates in the case of individuals at selected levels of total income ranging from Rs 5,000 to Rs 10,00,000.

5. In the case of Life Insurance Corporation of India and other companies, the rates of income-tax on incomes assessable for the assessment year 1971-72 are laid down in Part I of the First Schedule of the Bill.

II. Rates for deduction of tax at source during the financial year 1971-72 from incomes other than "Salaries" and retirement annuities

6. The rates for deduction of tax at source during the financial year 1971-72 from incomes other than "salaries"

and retirement annuities payable to partners of registered firms engaged in specified professions (*i.e.*, interest on securities, other categories of interest, dividends, and other categories of non-salary income of non-residents) are set forth in Part II of the First Schedule to the Bill. These ratess differ from the rates specified in Part II of the First Schedule to the Finance Act, 1970 for purposes of deduction of tax at source from such incomes during the financial year 1970-71 in certain respects as explained in the following paragraphs.

7. *Payments to residents other than companies.*—In the case of income by way of interest on securities (not being interest on a tax-free security) or dividends payable to resident recipients other than companies during the financial year 1971-72, tax will be deductible at the rate of 23%, made up of basic income-tax of 20% and surcharge of 3% being 15% of the income-tax). This is higher than the rate at which tax was deductible in such cases during the financial year 1970-71, by 1%. The increase is being made in the context of the increase in the rate of surcharge on the income-tax in the case of non-corporate tax-payers as explained in Paragraphs 10 and 13 of this Memorandum.

8. *Payments of income to non-residents other than companies.*—In the case of income (other than interest on a tax-free security) payable to a non-resident other than a company, during the financial year 1971-72, tax will be deductible at the minimum rate of 34.5% made up of income-tax of 30% and surcharge of 4.5% (being 15% of the income-tax). In respect of interest on a tax-free security payable to non-corporate non-residents, the rate for deduction will be 17.25%, made up of income-tax of 15% and surcharge of 2.25% (being 15% of the income-tax). These increases are also being made in the context of the increase in the rate of surcharge on the income-tax in the case of non-corporate tax-payers as explained in Paragraphs 10 and 13 of this Memorandum.

9. *Dividends payable by domestic companies to foreign companies.*—In the case of dividends payable by a domestic company on shares in that company held by a foreign company, tax will, hereafter, be deductible at source at the uniform rate of 24.5%. Formerly, a lower rate of 14% was applicable in cases where the dividend was payable to the foreign company by a closely-held Indian company mainly engaged in a priority industry. The special concession in respect of taxation of inter-corporation dividends in such cases is proposed to be discontinued by an amendment to Section 80 of the Income-tax Act *vide* paragraph 83 of this Memorandum. In the context of this change, the special concessional rate of 14% in respect of dividends payable to a foreign company by a closely-held Indian company mainly engaged in a priority industry is being discontinued, and the rate of 24.5,% which has so far been applicable to other dividends paid to foreign companies by domestic companies, is being made applicable to all dividend payments by domestic companies to foreign companies.

III. Rates for deduction of tax at source from "salaries", computation of advance tax and charging of income-tax in special cases, during the financial year 1971-72.

10. *Individuals, Hindu undivided families, etc.*—The rates for deduction of tax at source from 'salaries" in the case of individuals during the financial year 1971-72, and also for computation of the advance tax payable during that year in the case of all categories of tax-payers, have been specified in Part III of the First Schedule to the Bill. These rates are also applicable for deduction of tax at source during 1971-72

from retirement annuities payable to partners of registered firms engaged in certain professions (chartered accountants, solicitors, lawyers, etc.) and for charging income-tax during 1971-72 on current incomes in special cases, *e.g.*, provisional assessment of shippng profits arising in India to non-residents, assessment of persons leaving India for good during the current assessment year, etc. These rates are the same as the rates specified in Part I of the First Schedule for the assessment of incomes liable to tax for the assessment year 1971-72, except that the rate of surcharge on the income-tax in the case of individuals, Hindu undivided families, unregistered firms and other categories of non-corporate tax-payers is proposed to be increased from 10% to 15% in all cases where the total income exceeds Rs 15,000. Where the total income is Rs 15,000 or less, the rate of surcharge will be 10% as formerly. Further, in a case where the total income exceeds Rs 15,000 by a small amount, the surcharge leviable will be the *lower* of the following two quantities:—

(*a*) 15% of the income-tax, or
(*b*) the aggregate of—
  (*i*) the surcharge which would be leviable if the total income were Rs 15,000 only, and
  (*ii*) 40% of the amount by which the total income exceeds Rs 15,000.

The operation of this marginal relief provision may be illustrated by the followng examples:—

Example I

Total income : Rs 15,100
Income-tax : Rs 1,373 (Rs 1,350 *plus* 23% of Rs 100)

Surcharge leviable:
Under alternative (*a*) : Rs 205.95 (15% of Rs 1,373)
Under alternative (*b*) : Rs 175.00 (Rs 135, being 10% of Rs 1,350 which is the tax on a total income of Rs. 15,000, *plus* Rs 40, being 40% of the amount by which the total income exceeds Rs 15,000).

As the surcharge calculated under alternative (*b*) is lower in amount, the surcharge leviable in this case will be Rs 175 only.

Example II

Total income : Rs 15,200
Income-tax on Rs 15,200 : Rs 1,396 (Rs 1,350+23% of Rs 200)

Surcharge leviable :
Under alternative (*a*) : Rs 209.40 (15% of Rs 1,396)
Under alternative (*b*) : Rs 215.00 (Rs 135+Rs 80 being 40% of Rs 200).

As the surcharge calculated under alternative (*a*) is lower than that under alternative (*b*), the surcharge leviable will be that under alternative (*a*), *i.e.*, Rs. 209.40. The marginal relief provision will not, therefore, apply at this level, or above it.

11. The table below shows, at selected levels of income of an individual, the comparative incidence of tax (including surcharge) at (*a*) the rates applicable during the financial year 1970-71 for purposes of computation of advance tax and deduction of tax at source from "salaries" (which are being made applicable to incomes assessable for the assessment year 1971-72); and (*b*) the rates proposed in the Bill for computation of advance tax and deduction of tax at source from "salaries" during the financial year 1971-72 :—

COMPARATIVE INCIDENCE OF TAX AT SELECTED LEVELS OF INCOME IN THE CASE OF INDIVIDUALS

Income	Tax (including surcharge) at the rates applicable during the financial year 1970-71 [as at (*a*) above]	Tax (including surcharge) at the rates in the Bill for computation of advance tax and deduction of tax at source from "salaries" during 1971-72 [as at (*b*) above]	Increase in tax
1	2	3	4
Rs	Rs	Rs	Rs
6 000	110	110	Nil
7,500	275	275	Nil
10,000	550	550	Nil
12,500	1,018	1,018	Nil
15,000	1,485	1,485	Nil
20,000	2,750	2,875	125
25,000	4,400	4,600	200
40,000	12,100	12,650	550
50,000	18,700	19,550	850
60,000	25,300	26,450	1,150
70,000	33,000	34,500	1,500
80,000	40,700	42,550	1,850
90,000	48,950	51,175	2 225
1,00,000	57,200	59,800	2,600
1,50,000	1,01,200	1,05,800	4,600
2,00,000	1,45,200	1,51,800	6,600
2,50,000	1,91,950	2,00,675	8,725
3,00,000	2,38,700	2,49,550	10,850
5,00,000	4,25,700	4,45,050	19,350
10,00,000	8,93,200	9,33,800	40,600

12. The table in Annexure B shows, in the case of individuals, Hindu undivided families, unregistered firms, associations of persons, etc., the income-tax payable at the rates specified in the Bill for computation of advance tax and deduction of tax from the "salaries" during the financial year 1971-72, on total incoms from Rs 6,000 to Rs 20,00,000.

13. *Co-operative societies, registered firms and local authorities.*—In the case of co-operative societies and local authorities, the rates of income-tax specified, respectively, in Paragraphs B and D of Part III of the First Schedule to the Bill for the purpose of computation of advance tax payable by them during the financial year 1971-72 are the same as

the rates of income-tax specified, respectively, in Paragraphs B and D of Part I of the First Schedule for incomes assessable for the assessment year 1971-72. However, the rate of surcharge in these cases is being increased, from 10% of the basic income-tax, to 15%, as in the case of individuals, Hindu undivided families, etc. This increase will apply for the purpose of computation of advance tax payable by co-operative societies and local authorities during the financial year 1971-72. Likewise, in the case of registered firms also, the rate of special surcharge is being increased, from 10, to 15% of the aggregate of the basic income-tax and ordinary surcharge, for the purpose of computation of the advance tax payable by them during the financial year 1971-72. The rates of basic income-tax and ordinary surcharge in the case of registered firms remain unchanged and are set forth in Paragraph C of Part III of the First Schedule.

14. *Life Insurance Corporation of India and other companies.*—The rates of income-tax in these cases specified, respectively, in Paragraphs E and F of Part III of the First Schedule to the Bill for the purpose of computation of advance tax payable by them during the financial year 1971-72 are the same as the rates of income-tax specified, respectively, in Paragraphs E and F of Part I of the First Schedule for incomes assessable for the assessment year 1971-72.

IV. Proposed amendments to the Income-tax Act

Additional Revenue

15. *Long-term capital gains.*—Under the existing provisions of the Income-tax Act, long-term capital gains, *i.e.*, capital gains arising from the transfer of a capital asset which is held for more than 24 months from the date of acquisition, are charged to tax on a concessional basis. In the case of tax-payers other than companies, the concession is allowed by deducting a specified proportion of the long-term capital gains in computing the taxable income of the tax-payer. In the case of companies, lower rates of tax have been specified in respect of long-term capital gains. With a view to increasing th incidence of tax on long-term capital gains, the following modifications are proposed to be made in the relevant provisions of the Income-tax Act:—

(*i*) *Tax-payers other than companies* :

(*a*) Long-term capital gains relating to buildings or lands or any rights therein—the deduction from the total income will be Rs 5,000+35% of the amount of such gains over Rs. 5,000 (as against 45% under the existing law).

(*b*) Long-term capital gains relating to other capital assets—the deduction from total income will be Rs 5,000—50% of the amount by which the gains exceed Rs 5,000 (as against 65% under the existing law).

(*ii*) *Companies* :

(*a*) Long-term capital gains relating to buildings or lands or any rights therein—these will be chargeable to tax at the rate of 45% as against 40% under the existing law.

(*b*) Long-term capital gains relating to other assets —these will be chargeable to tax at the rate of 35%, as against 30% under the existing law.

16. The changes set forth in the preceding paragraph will become effective from 1-4-1972 and will accordingly apply to the assessment year 1972-73, *i.e.*, in relation to capital gains derived during the financial year 1972-73 or any other accounting year relevant to the assessment year 1972-73.

17. *Income from specified priority industries.*—Under the existing law, income derived by certain domesic companies from specified priority industries is charged to tax on a concessional basis. The priority industries specified for this purpose comprise—

(*a*) the business of generation or distribution of electricity or any other form of power;

(*b*) the business of construction, manufacture or production of any one or more of the articles or things specified in the list in the Sixth Schedule to the Income-tax Act; and

(*c*) the business of any hotel where such business is carried on by an Indian company and the hotel is, for the time being, approved in this behalf by the central government.

The concessional taxation of profits from these industries is brought about by allowing a deduction of an amount equal to 8% of such profits in computing the total income of the domestic company. The incidence of tax on profits from priority industries is proposed to be increased to some extent, and the list of priority industries is also being shortened by the exclusion of some industries from it. The details of the proposed provisions are as under:—

(*i*) *Quantum of deduction from taxable income in respect of profits from priority industries*: It is proposed to reduce the quantum of deduction admissible to a domestic company in respect of profits derived by it from a priority industry, from 8% to 5% of such profits.

(*ii*) *List of articles and things relating to priority industries* : The following items are proposed to be omitted from the list of articles and things relating to priority industries in the Sixth Schedule to the Income-tax Act :—

(*a*) Aluminium (metal), which is presently included in item (2) of the list.

(*b*) Motor trucks and buses, presently listed as item (10).

(*c*) Cement and refractories, presently listed as item (12).

(*d*) Soda ash, presently listed as item (14).

(*e*) Petro-chemicals, presently listed as item (18).

(*f*) Automobile ancillaries, presently listed as item (20).

18. The changes set forth in the preceding paragraph will come into effect on 1-4-1972 and will accordingly apply for the assessment year 1972-73 in relation to current incomes of the financial year 1971-72 or any other accounting year corresponding to it.

Incentives for Savings

19. Deduction in respect of long-term savings in specified media:—Under the existing provisions of the Income-tax Act, tax relief is allowed in respect of long-term savings effected by certain categories of tax-payers out of their income. In the case of an individual, long-term savings through life insurance or deferred annuity policies on the life of the individual, his spouse or child, certain provident funds and superannuation funds and 10-year and 15-year Cumulative Time Deposit Accounts, qualify for tax relief. In the case of Hindu undivided families, long-term savings effected through insurance policies on the life of any member of the family qualify for tax relief. In the case of an assessee being an association of persons or a body of individuals consisting only of husband and wife governed by the system of community of property in force in the union territories of Dadra and Nagar Haveli and Goa, Daman and Diu, long-term savings through policies of life insurance or for deferred annuities on the life of any member of such association or body or on the life of any child of either member, as also through the Pubic Provident Fund and 10-year and 15-year Cumulative Time Deposit Accounts, qualify for tax relief. The tax relief, in all cases, is allowed by deducting 60% of the first Rs 5,000 of the qualifying savings *plus* 50% of the balance of such savings, in computing the taxable income of the assessee. With a view to providing a further incentive for effecting long-term savings, particularly by tax-payers in the lower and middle income brackets, the following changes are proposed to be made in the relevant provision:—

(i) The quantum of the deduction in respect of long-term savings in computing the taxable income is proposed to be varied so as to allow a deduction of whole of the first Rs 1,000 of the qualifying savings *plus* 50% of the next Rs 4,000 *plus* 40% of the remainder of such savings.

(This will mean that in the case of a person who saves Rs 1,000 or less, the whole of such savings will be allowed as a deduction from his taxable income, as against 60% of such savings under the existing law. In the case of a person who saves more than Rs 1,000 but less than Rs 5,000, the amount of the deduction will be higher under the proposed formula than at present. On a saving of Rs 5,000, the quantum of the deduction will be the same as at present, namely Rs 3,000. In respect of savings in excess of Rs 5,000, the quantum of deduction will be less than at present.)

(ii) The monetary limit over the savings qualifying for the deduction is being increased from Rs 15,000 to Rs 20,000 in the case of an individual and also in the case of a married couple governed by the system of community of

property in force in the union territories of Dadra and Nagar Haveli and Goa, Daman and Diu.

(The monetary limit of Rs 30,000 presently applicable to the qualifying savings by a Hindu undivided family, remains unchanged.)

20. The changes set forth in the preceding paragraph will take effect from 1-4-1972 and will accordingly apply for the assessment year 1972-73 in relation to current incomes of the financial year 1971-72 or other accounting year corresponding to it.

21. *Deduction in respect of income from specified financial assets.*—Under a provision introduced in the Income-tax Act through the Finance Act, 1970, income derived by a taxpayer from investments in specified categories of financial assets is exempt from tax up to an aggregate amount of Rs 3,000 which is deducted from the taxable income. The investments covered by this provision are (i) government securities; (ii) notified debentures; (iii) deposits under notified schemes of the central government; (iv) shares in Indian companies; (v) units in the Unit Trust of India; (vi) deposits with banking companies, co-operative banks, land mortgage banks and land development banks; and (vii) deposits with approved financial corporations engaged in providing long-term finance for industrial development in India. It is now proposed to modify this provision in certain respects as explained hereunder :—

(i) The deduction under this provision is being limited to individuals and Hindu undivided families only and will, therefore, not be allowed henceforth in the case of other categories of taxpayers, such as companies, partnership firms, associations of persons, etc.

(ii) Deposits with a co-operative society made by a member of the society are being included in the categories of financial assets specified in the provision. Accordingly, interest on such deposits will also qualify for the deduction under this provision, along with incomes derived from the financial assets already listed therein.

22. The changes set forth in the preceding paragraph are being made effective from 1-4-1972 and will accordingly apply to the assessment year 1972-73, in relation to current incomes of the financial year 1971-72 or other accounting year corresponding to it.

Achieving Economic Objectives

23. *Exemption from tax in respect of income of local authorities derived from the supply of water and electricity outside their own jurisdictional areas.*—Under an existing provision in the Income-tax Act, a local authority is exempt from tax on its income under the heads "Interest on securities", "Income from house property", "Capital gains" or "Income from other sources", as also on its income from a trade or business carried on by it which accrues or arises from the supply of a commodity or service within its own jurisdictional area. Income derived by a local authority from the supply of a commodity or service outside its own territorial limits, is, however, liable to tax. In order to encourage local authorities to supply drinking water and electricity to adjoining villages on an increasing scale, it is proposed to extend the scope of this exemption so as to cover income derived by a local authority from the supply of water or electricity outside its own jurisdictional area. Accordingly, income derived by a local authority from the supply of water or electricity outside its territorial limits will also be exempt from income-tax.

24. This provision is being made effective from 1-4-1972 and will accordingly apply in relation to assessments for the assessment year 1972-73 and subsequent years.

25. *Special deduction in the case of certain financial corporations providing long-term finance for agricultural development in India.*—Under the Income-tax Act, financial corporations engaged in providing long-term finance for industrial development in India are entitled to a deduction, in the computation of their taxable profits, of amounts transferred by them out of such profits to a special reserve account up to a specified percentage of their total income. Where the financial corporation has a paid-up share capital not exceeding Rs 3 crores, the special reserve may be up to 25% of the current profits, while in the case of a financial corporation having a paid-up share capital exceeding Rs 3 crores, the special reserve may be up to 10% of the current profits. This deduction is available only where the financial corporation is approved by the central government for this purpose. The objective underlying this provision is to enable financial corporations to build up their internal resources at an accelerated pace and thus become independent of subventions from government for financing their activities.

26. Certain financial corporations have recently been set up for the purpose of providing long-term finance for agricultural development in India. One such corporation is the Agricultural Refinance Corporation which has been established under an Act of Parliament with a view to providing refinance to co-operative and commercial banks for financing compact area schemes. Similarly, another corporation, called the Agricultural Finance Corporation, which is registered as a company, has been established as a consortium of major commercial banks in the country. With a

view to encouraging these and similar other financial corporations to build up their internal resources at a fast rate, it is proposed to extend to such corporations the same tax concession as is presently available to financial corporations engaged in providing long-term finance for industrial development in India. Accordingly, a financial corporation which is engaged in providing long-term finance for agricultural development in India will be entitled to deduction, in the computation of its profits, of amounts carried to a special reserve account out of the current profits. The quantum of deduction will be the same as under the existing provision, namely, up to 25% of current profits in the case of a financial corporation having paid-up capital not exceeding Rs 3 crores and up to 10% of the current profits in any other case. The aggregate of the deductions on this account over a period of years will not, however, exceed the amount of the paid-up capital, as under the existing provision. The concession in these cases will also be subject to the requirement of approval of the corporation by the central government as presently applicable in the case of financial corporations engaged in providing long-term finance for industrial development.

27. The above provision will be made effective from 1-4-1972 and will accordingly apply in relation to the assessments for the assessment year 1972-73 and subsequent years.

28. *Withdrawal of tax relief on capital gains arising from the transfer of shares in Indian companies held by foreign nationals and foreign enterprises in certain cases.*—Under an existing provision in the Income-tax Act, foreign companies or individuals of foreign citizenship, holding investments in shares in Indian companies are entitled to relief from the tax chargeable on capital gains arising to them on the sale of such shares if the sale proceeds are re-invested within a period of two years in certain approved investments. The investments approved for the purpose of this provision comprise government securities (including certain small savings securities of the central government) and ordinary shares of certain categories of public companies engaged in specific industries. This provision was introduced in the law in 1965, with a view to conserving our foreign exchange resources by encouraging foreign enterprises and foreign nationals to retain in India the sale proceeds of their investments in shares in Indian companies instead of repatriating such sale proceeds outside India.

29. In actual practice, the impact of this provision on our foreign exchange resources has been found to be minimal. There has also been a distinct improvement in our balance of payments position. In these circumstances, it is proposed to withdraw the above tax relief with effect from 1-4-1972. The tax relief under the existing provision will not, therefore, be available for the assessment year 1972-73 and subsequent years. Accordingly, from 1972-73, foreign enterprises and foreign nationals will be charged to tax on the capital gains arising to them on the sale of shares held by them in Indian companies, regardless of whether the sale proceeds are invested in other assets in India or are repatriated outside India.

30. *Concessional taxation of royalties, commission, fees etc. received by an Indian company for provision of technical know-how or technical services to an Indian concern.*—Under an existing provision in the Income-tax Act, an Indian company, deriving income by way of royalties, commission, fees etc. from an Indian concern in consideration for the provsion to the Indian concern of technical know-how or techniical services, is entitled to a deduction of 40% of the amount of such income in the computation of its taxable income. This tax concession is available only if the agreement under which the technical know-how or technical services are provided is approved by the central government on an application made in this behalf before the 1st October of the relevant assessment year. The objective of this provision is to encourage Indian companies to carry out research and development programmes and develop indigenous technical know-how.

31. It is now proposed to extend this tax concession also to cover cases where technical know-how or technical services are provided by resident non-corporate taxpayers, such as individuals, Hindu Undivided families, partnership firms, etc. In order to avoid any possible abuse of the concession, it is being provided that the concession would be available only if the accounts of the resident non-corporate taxpayer (not being a co-operative society) for the relevant accounting year have been audited by a chartered accountant or any other accountant authorised in law to audit the accounts of companies and the taxpayer furnishes the report of such audit in a form to be prescribed in the Income-tax Rules along with his return of income.

32. The existing requirement of the grant of approval by the central government to the agreement under which the technical know-how or technical services are provided has, in actual practice, led to certain avoidable difficulties

to the taxpayer and delays in obtaining such approval. It is now proposed to vest the power of granting approval, fort he purpose of the tax concession, in the Central Board of Direct Taxes who would, where necessary, consult the concerned administrative or technical ministries before taking a final decision.

33. The new provisions will take effect from 1-4-1972 and will accordingly apply to assessments for the assessment year 1972-73 and subsequent years. As a transitional measure, it is being provided that the approval of the Board will not be necessary in the case of agreements which are approved for the purpose of the concession by the central government before 1-4-1972 and that the applications for such approval pending with the central government immediately before that date will stand transferred to the Board for disposal.

34. *Exemption from tax of royalties, commission, fees etc. received by an Indian company for provision of technical know-how or technical services to foreign enterprises.*—Under another provision in the Income-tax Act, an Indian company deriving income by way of royalties, commission, fees, etc. from a foreign company, in consideration for the provision to the foreign company of technicl know-how or technical services is exempted from taxation in India on the whole of such income. This tax concession is available only if the agreement under which the technical know-how or technical services are provided is approved by the central government before the 1st October of the relevant assessment year. The objective of this provision is to encourage Indian companies to develop technical know-how and make it available to foreign companies so as to augment our foreign exchange earnings and establish a reputation for Indian technical know-how in foreign countries.

35. The tax concession referred to in the preceding paragraph is presently available only where the foreign concern to which the technical know-how or technical services are provided is a "company" and is declared as such by an order of the Board under the relevant provision of the Income-tax Act. It has been found that Indian concerns have been providing technical know-how not only to foreign companies but also to foreign governments, public utilities, etc. Although in these cases, the supply of technical know-how to the foreign enterprise results in the export of Indian know-how and adds to the foreign exchange earnings, the Indian company which undertakes this work is not entitled to the tax concession. Further, the tax concession is not presently available where the technical know-how or services are provided by a non-corporate taxpayer.

36. It is now proposed to extend this tax concession also to cover cases where technical know-how or technical services are provided by resident non-corporate taxpayers, such as individuals, Hindu undivided families, partnership firms, etc., and to make this concession available in all cases where the technical know-how or technical services are provided to a foreign government or a foreign enterprise, regardless of whether the foreign enterprise is a corporate body or not. In order, however, to avoid any possible abuse of the concession, it is being provided that in the case of resident non-corporate taxpayers, other than co-operative societies, the concession would be available only if the accounts of the taxpayer for the relevant accounting year have been audited by a chartered accountant or any other accountant authorised in law to audit the accounts of companies and a report of such audit in a form to be prescribed for this purpose is furnished along with the return of income.

37. In order to remove certain practical difficulties in the operation of the existing provision, the power to accord approval to the agreement under which the technical know-

how or technical services are provided is being vested in the Central Board of Direct Taxes instead of the central government as at present. Further, the present requirement that the approval to the agreement should be obtained before the 1st October of the relevant assessment year is being replaced by the requirement that the application for the grant of such approval should be made to the Board before that date. The date on which the approval is actually granted, will, therefore, no longer be material if the relevant application is made within the time allowed.

38. The new provisions are being made operative from 1.4.1972 and will accordingly apply in relation to assessment year 1972-73 and subsequent years. As a transitional measure, it is being specifically provided that the approval of the Board will not be necessary in a case where the agreement under which the technical know-how or technical services are provided is approved for the purpose of the tax concession by the central government before 1.4.1972 and that the applications pending with the central government immediately before that date will stand transferred to the Board for disposal.

39. *Exemption from tax of dividends received by an Indian company on shares allotted to it in a foreign company for the provision of technical know-how or technical services to the foreign company.*—Under an existing provision in the Income-tax Act, an Indian company deriving income by way of dividends on shares allotted to it in a foreign company in consideration for the provision of technical know-how or technical services to such foreign company is exempted from tax in India on the whole of such dividend income. This tax concession is available only if the agreement under which the technical know-how or technical services are provided to the foreign company is approved by the central government before the 1st October of the relevant assessment year. The objective of this provision is to encourage Indian companies to develop technical know-how and make it available to foreign companies so as to augment our foreign exchange resources and establish a reputation for Indian technical know-how in foreign countries.

40. Presently, the tax concession is available only in a case where the technical know-how or technical services are provided to a foreign company by an Indian company and the shares in the foreign company are allotted to it in consideration therefor. Where, however, the shares are allotted to any resident non-corporate tax-payer, the dividend income does not enjoy exemption from tax in his hands.

41. As explained in Paragraph 36, the tax exemption available in respect of royalties, commission, fees, etc. received by an Indian company in consideration for the provision of technical know-how or technical services to foreign companies is being extended to resident non-corporate tax payers as well. Likewise, it is now proposed to completely exempt also the dividend income received on shares allotted to a resident non-corporate taxpayer in a foreign company in consideration for the provision of technical know-how or technical services to such foreign company. Further, the power to accord approval to agreements under which the technical know-how or technical services are provided is being vested in the Central Board of Direct Taxes, instead of the central government at present. The present requirement that the approval of the agreement should be obtained before 1st October of the relevant assessment year is also being replaced by the requirement that the application for the grant of such approval be made before that date. The date on which the approval is actually granted will, therefore, no longer, be material in cases where the applications for such approval are made within the time allowed for the purpose.

42. The new provisions are being made operative from 1.4.1972 and will, accordingly, apply in relation to assessments for the assessment year 1972-73 and subsequent years. As a transitional measure, it is being specifically provided that the approval of the Board will not be necessary in a case where the agreement under which the technical know-how or technical services are provided is approved for the purpose by the central government before 1.4. 1972 and that the applications pending with the central government on that date will stand transferred to the Board for disposal.

Granting Tax Reliefs

43. *Provision in Section 11 of the Income-tax Act relating to exemption from tax of the income of charitable and religious trusts.*—Under the existing provisions of the Income-tax Act, income derived from property held under trust for charitable or religious purposes is exempt from income-tax to the extent such income is actually applied to such purposes during the previous year itself or within three months next following. As "income" includes "capital gains", a charitable or religious trust would forfeit exemption from income tax in respect of its incomes by way of capital gains unless such income is also applied to the purposes of the trust during the period referred to above. In some cases, charitable or religious trusts are required to sell, in the interest of the trust, capital assets forming part of the corpus of their property *solely* with a view to acquiring other capital assets to be held as part of the corpus of the trust. The requirement that the


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capital gains arising from such transactions should be utilised for chartitable or religious purposes during the accounting year itself or within three months immediately following, has the unintended effect of progressively reducing the corpus of the trust and the income yielded by it.

44. This difficulty has been accentuated as a result of certain amendments made in the scheme of tax exemption of charitable and religious trusts through the Finance Act, 1970. Under one of these amendments, a charitable or religious trust would forfeit exemption from tax on its income if the trust funds, constituting its corpus or income, are invested in a concern in which the author or founder of the trust or any substantial contributor to it or any relative of such author, founder or contributor is substantially interested. Where the investment of the trust funds in such concern exceeds 5% of the capital of the concern, exemption is forefeited in respect of the whole of the income of the trust, while in a case where the investment does not exceed 5%, the exemption is lost only in respect of the income from such investment, the other income continuing to enjoy tax exemption. In order to enable charitable and religious trusts to change their investments suitably, without forfeiting exem tion from tax, a specific provision was also made in the Income-tax Act to the effect that the aforesaid provisions would not apply in a case where the investment of the trust funds in the prohibited concerns does not continue after 31.12.1970. In order to avail of the benefit of this relaxation, many charitable or religious trusts divested themselves of investments in prohibited concerns before 1.1.1971. If the provisions of the law are construed strictly, such trusts would forfeit exemption from tax in respect of their income by way of capital gains arising from the transfer of such investments unless they apply such income to charitable or religious purposes during the relevant accounting year or within three months immediately following.

45. The question of eliminating the disadvantage to charitable or religious trusts in being obliged to spend away the capital gains arising from the transfer of assets constituting the corpus of the trust instead of adding to the corpus, was considered by government in 1963 and administrative instructions were issued to the effect that where a chartitable or religious trust transferred a capital asset forming part of the corpus of its property *solely* with a view to acquiring another capital asset for the use and benefit of the trust and utilised the capital gains arising from the transaction in acquiring a new capital asset, the amount of capital gains so utilised should be regarded as having been applied to the charitable or religious purposes of the trust. These instructions have recently been reiterated.

46. It is now proposed to make a suitable amendment to the relevant provision in the Income-tax Act to place the aforesaid administrative instructions on a legal footing and remove the disadvantage to charitable and religious trusts for the past as also the future. It is, accordingly, being provided that in a case where a capital asset being property held under trust for charitable or religious purposes is transferred and the whole or any part of the net consideration for the transfer (i.e. full value of the consideration as reduced by the expenditure incurred wholly and exclusively in connection with the transfer) is utilised for acquiring another capital asset to be held as part of the corpus of the trust, the capital gain arising from the transfer will be regarded as having been applied to charitable or religious purposes. Where the whole of such net consideration is utilised in acquiring the new capital asset, the entire amount of the capital gain will be regarded as having been applied to charitable or religious

purposes, while in a case where only a part of the net consideration is utilised for acquiring the new capital asset, an amount, if any, by which the cost of acquisition of the new asset exceeds the aggregate of the cost of acquisition of the capital asset transferred and the cost of any improvements made to such asset, will be regarded as having been applied to such purposes.

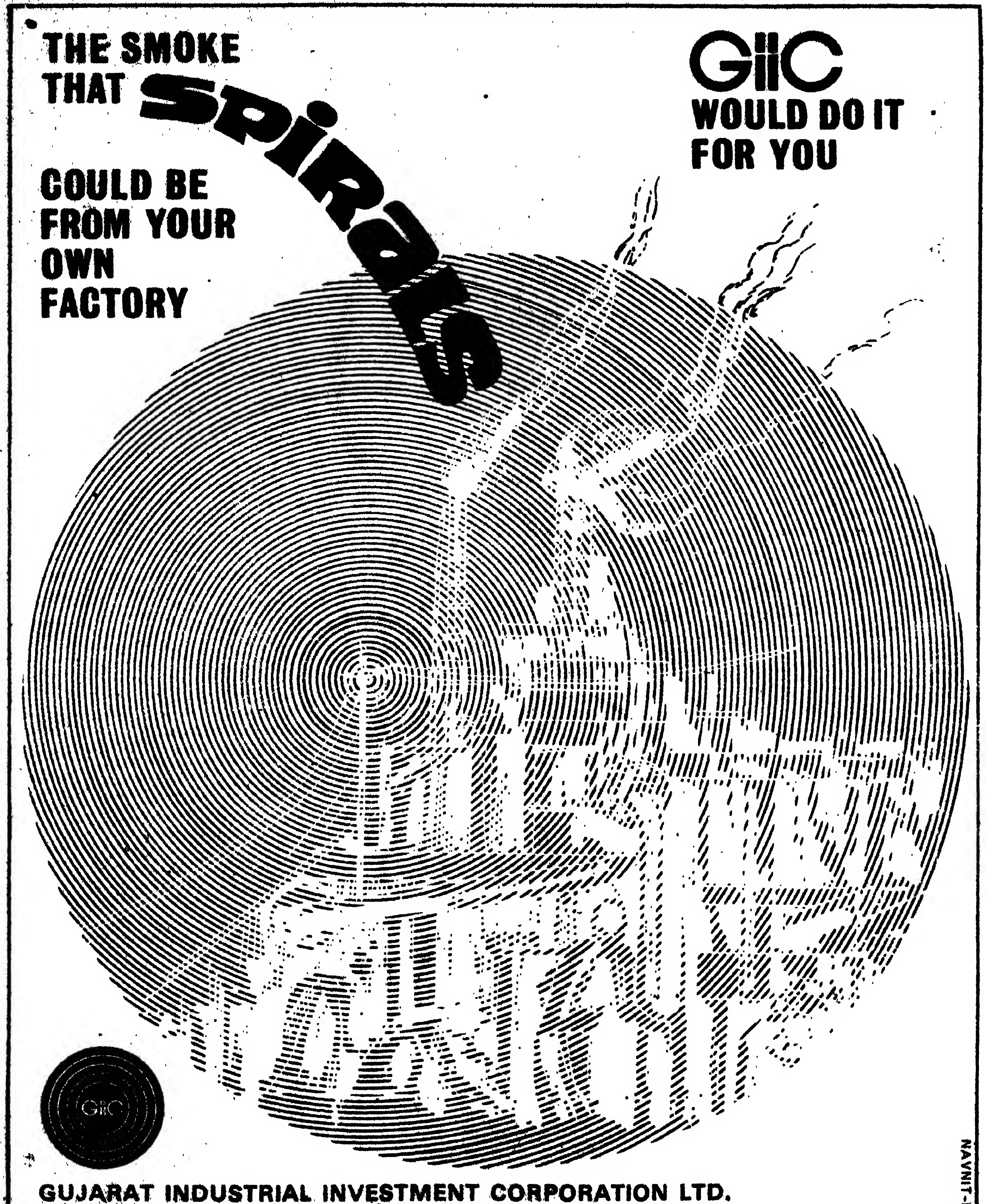
47. In a case where the asset which is transferred formed part of property held under trust in part only for charitable or religious purposes, a proportionate amount of the capital gain will be regarded as having been applied to charitable or religious purposes. Thus, where the whole of the net consideration received as a result of the transfer is utilised in acquiring the new capital asset, the whole of the "appropriate fraction" of the capital gain will be regarded as having been applied to charitable or religious purposes, while in a case where only a part of the net consideration is utilised for acquiring the new capital asset, so much of the "appropriate fraction" of the capital gain as is equal to the amount, if any, by which the "appropriate fraction" of the amount utilised for acquiring the new asset exceeds the "appropriate fraction" of the cost of the transferred asset will be regarded as having been applied to such purposes. The "appropriate fraction" in this context means the fraction obtained by dividing the amount of the income which, under the terms of the trust, is applicable to charitable or religious purposes, by the whole of the income derived from property held under trust in part only for such purposes.

48. These amendments are propored to be made operative retrospectively from 1.4.1962, i.e. the date of commencement of the Income-tax Act, 1961 and will, therefore, place the concession already allowed under executive orders on a legal footing right from the date from which the requirement of application, by charitable or religious trusts, of at least 75% of their income to charitable or relgious purposes during the year of accrual of such income was introduced in the income-tax law.

49. *Provision in Section 13 of the Income-tax Act relating to forfeiture of exemption from income-tax of charitable or religious trusts in certain cases.* The Finance Act, 1970 made certain amendments in the scheme of tax exemption of charitable and religious trusts, *inter alia*, to curb the use of the funds of such trusts to aquire control over industry and business. Under the provision in Section 13(2)(h), a charitable or religious trust will forfeit exemption from tax if any funds of the trust are, or continue to remain, invested for any period during the previous year in any concern in which the author or founder of the trust or any substantial contributor to it or any relative of such author, founder or contributor has a substantial interest. Since the expression "funds of the trust" is wide enough to include not only the uninvested cash but also shares, stocks, securities etc. forming part of its corpus, and, in fact, property of every kind belonging to the trust, it follows that a trust will forfeit exemption from tax if it continues to hold any shares in a company in which its author or other connected persons are substantially interested, regardless of whether the shares formed part of the original corpus of thet rust or were subsequently acquired by it. Under another provision in section 13 (4) of the Income-tax Act, it has been provided that in a case where the investment of the funds of the trust in a concern in which the author of the trust or other connected persons had a substantial interest does not exceed 5% of the capital of the concern, the exemption from tax would be denied only in relation to the income arising from such investment and the remaining income will continue to enjoy exemption from tax.

50. The relevant provision in section 13 (4), however, refers to "the moneys of the trust" and not to "the funds of the trust" and this verbal variation in the phraseology used in Section 13 (2) (h) and Section 13 (4) is likely to create unintended hardship in certain cases. This is because in a case where the shares in the prohibited concern form part of the corpus of the trust or have been donated to it *in specie*, it could be urged that since the shares were not paid for by the trust in cash, no "moneys of the trust" had been invested in the prohibited concern and as such the saving provision in section 13 (4) would not apply and that the trust would lose exemption from tax in respect of its entire income and not merely in respect of income from such investment alone, even if the trust investment in the prohibited concern does not exceed 5% of the capital of the concern. Such an interpretation will not be in keeping with the intention underlying the provision.

51. It is accordingly proposed to make a drafting amendment to the provision in section 13 (4) of the Income-tax Act in order to clarify that in a case where the investment made by a charitable or religious trust in a concern in which the author of the trust or his relatives etc. have a substantial interest does not exceed 5% of the capital of the concern (whether the investment is made by the trustees themselves or it forms a part of the original corpus settled on trust or represents a donation made to it *in specie*) the trust will forfeit the exemption from tax only in relation to the income ari-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sing from such investment and its remaining income will continue to enjoy exemption from tax.

52. The above-mentioned provision is being made effective retrospectively from 1.4.1971 i.e. the date from which section 13 of the Income-tax Act was substituted by a new Section, and will accordingly apply in relation to assessments for the assessment year 1971-72 and subsequent years.

53. *Deduction for expenses incurred by salaried taxpayers on travelling for purposes of employment in computing their taxable salary income.*—At present, a salaried taxpayer owning a motor car, or a motor-cycle, scooter or other moped and using it for the purposes of his employment is entitled to a standard deduction from his salary income to cover the expenditure incurred by him on the maintenance of the conveyance and its wear and tear attributable to its use for the purposes of employment. The standard deduction for a motor-car is Rs 200 per month and for a motor-cycle, scooter or other moped, it is Rs 60 per month. In the case of salaried taxpayers who do not own a conveyance of the type referred to above e.g. employees owning cycles or using the public transport system for travelling for the purposes of employment, the standard deduction is allowed in an amount of Rs 35 per month.

54. It is now proposed to increase the standard deduction for employees owning a motor-cycle, scooter or other moped from Rs 60 per month to Rs 75 per month and in the case of employees not maintaining a motor-car or a motor-cycle, scooter or other moped, from Rs 35 to Rs 50 per month. The standard deduction in the case of employees owning a motor car will continue to remain at the present level of Rs 200 per month.

55. This provision is being made operative from 1.4.1972 and will accordingly apply for assessments for assessment year 1972-73 and subsequent years.

56. *Exemption from tax of the business income of labour co-operative societies and fisheries co-operative societies.* Under the Income-tax Act, co-operative societies enjoy certain tax concessions in respect of their income. Co-operative societies connected with agriculture, banking, rural credit, milk production and cottage industries enjoy complete exemption from tax in respect of their business income from these activities, while co-operative societies engaged in other activities are liable to tax on their business income in excess of Rs 20,000. Further, the income of all co-operative societies by way of interest or dividends received from investments with other co-operative societies is wholly exempt from income-tax, and where the gross income of the co-operative society does not exceed Rs 20,000. income by way of interest on securities or income from house property also enjoys complete exemption from income-tax in the generality of cases.

57. With a view to promoting self-help among persons of small means who form co-operative societies for the collective disposal of their labour, it is now proposed to exempt the business income of labour co-operative societies from income-tax. It is also proposed to exempt the business income of co-operative societies engaged in fishing and other allied pursuits e.g. catching, curing, processing, preserving, storing and marketing of fish, or the purchase of materials and equipment in connection therewith for the purpose of supplying them to their members. In order, however, to prevent any possible misuse of the tax concession by those for whom it is not intended, it is being provided that the proposed tax concession will be available only in the case of such of these co-operative societies as, under their rules and bye-laws, restrict the voting rights to members who constitute the labour force or actually carry on the fishing or other allied activities, the state government and the co-operative credit societies that provide financial assistance to them.

58. These provisions will take effect from 1.4.1972 and will accordingly apply in relation to assessments for the assessment year 1972-73 and subsequent years.

59. *Exemption of interest on deposits made by members with co-operative societies, from deduction of income-tax at source.*—Under an existing provision in the Income-tax Act, taxpayers other than individuals and Hindu undivided families are required to deduct income-tax at source from interest (other than "interest on securities") credited or paid by them to persons resident in India where any single payment exceeds Rs 400. This provision does not, however, apply in the case of interest paid by banking companies and co-operative banks (including co-operative land mortgage banks and co-operative land development banks) or interest paid by co-operative societies to other co-operative societies as also to interest on deposits made under certain schemes approved by the central government. As mentioned in Paragraph 21, relating to Clause 17 of the Bill, deposits with a co-operative society made by a member of the society are being included in the categories of financial assets income from which enjoys exemption from income- tax up to Rs 3,000. In the context of this change, the relevant provision in the Income-tax Act is being amended so as to provide that income-tax will not be deductible at source from interest paid on deposits with a co-operative society made by a member of the society. This amendment is being made effective from 1.4.1971.

60. *Exemption from tax of certain incomes of the residents*

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of Ladakh.—Under an existing provision in the Income-tax Act, income accruing or arising to any resident of Ladakh district from any source in that district or outside India was completely exempt from income-tax upto and including the assessment year 1969-70. The exemption was available only in the case of persons, other than government servants, who were resident in Ladakh district in the previous year relevant to the assessment year 1962-63. This concession was allowed in view of the position that the residents of Ladakh had suffered hardship and their trade had been adversely affected as a result of the Chinese aggression and it was necessary to allow them time to rehabilitate themselves. The strategic importance of the area was also kept in view in this connection. Since these considerations continue to be valid even now, it is proposed to revive the exemption from tax which was available in such cases up to and including the assessment year 1969-70, for a further period of five years, i.e. for the assessment years 1970-71 to 1974-75.

61. The existing provision in the Income-tax Act was not applicable to government servants. Under another provision in the Income-tax Act, members of Scheduled Tribes residing in specified areas in the north-eastern part of India are exempt from tax in respect of income arising to them in such areas and also in respect of income by way of dividends or interest on securities, whether arising within or outside such areas. Originally, this provision was not applicable in the case of government servants. The exclusion of government servants from the purview of the exemption was, however, held by the Supreme Court to be unconstitutional and, accordingly, the provision has since been modified through the Taxation Laws (Amendment) Act, 1970, so as to extend the tax concession to government servants as well. For similar reasons, it is now proposed to extend the tax concession available in the case of the generality of taxpayers in Ladakh district, to government servants who were resident there during 1961-62. This is being made available with retrospective effect from the assessment year 1962-63.

Restrictions on Business Expenses

62. With a view to imposing restraints on business expenses so as to reduce income disparities, a provision is being made in the Income-tax Act placing certain ceiling limits on the deductible amount of expenditure that may be incurred by a taxpayer on payment of salary to any employee or a former employee or in providing any perquisites etc. to any such employee. Under the new provision, expenditure incurred by a taxpayer on payment of salary to an employee will not be allowed as a deduction in computing the taxable profits to the extent it exceeds an amount calculated at the rate of Rs 5,000 for each month or part thereof comprised in the period of employment of the employee in India during the relevant year. Similarly, expenditure incurred by the assessee on payment of salary to a former employee, i.e., an individual who ceases or ceased to be the employee of the assessee during the previous year or any earlier previous year, will not be allowed as deduction in computing the taxable profits to the extent it exceeds Rs 60,000 for the year. For this purpose, 'salary' is being defined broadly on the lines of the provision in section 17 of the Income-tax Act, subject to certain modifications. The expression "salary" will include wages; any annuity or pension; any gratuity; any fees, or commission; profits in lieu of or in addition to any salary or wages; any advance of salary; and the annual accretion to the balance at the credit of an employee participating in a recognised provident fund to the extent it is chargeable to tax. In this context, the expression "profits in lieu of salary" will have the same meaning as in Section 17 (3) of the Income-tax Act, and will, therefore, include any compensation paid by the taxpayer to an employee or a former employee in connection with the termination of his employment or modification of the terms and conditions relating thereto. The term "salary" will, however, not include perquisites and the sums transferred from the account of the employee in an unrecognised provident fund to a recognised provident fund.

63. Under an existing provision in the Income-tax Act, any expenditure which results directly or indirectly in the provision of any benefit or amenity or perquisite to an employee or any expenditure or allowance in respect of any assets of the taxpayer used by such employee either wholly or partly for his own purposes or benefit, is not allowed as deduction in computing the taxable profits of the business or profession to the extent the aggregate of such expenditure or allowance exceeds one-fifth of the salary payable to the employee or an amount calculated at the rate of Rs 1,000 for each month or part thereof comprised in the period of his employment during the relevant account year, whichever is less. This provision is being modified in certain respects. Under the provision as proposed to be modified, the aggregate of expenditure incurred by a taxpayer in providing any perquisites, whether convertible into money or not, to an employee and the amount of expenditure or allowance (such as depreciation allowance) in respect of assets of the tax-payer used by the employee for his own purposes or benefit, will not be allowed as deduction, in computing the profits of a business or profession, to the extent it exceeds 20% of the amount of salary payable or an amount calculated at the rate of Rs 1,000 for each month or part thereof comprised in the period of employment of the employee in India during the relevant account year, whichever is less. For this purpose, the expression "perquisite" is being defined to mean: (i) the value of rent-free accommodation provided to the employee by the taxpayer; (ii) the value of any concession in the matter of rent respecting any accommodation provided to the employee by the taxpayer; (iii) the value of any bene-

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India's defence network and operations depend on specialised requirements. ABMEL help to meet all these vital needs by supplying a wide range of batteries for military vehicles, aircrafts, signalling and radio communication.

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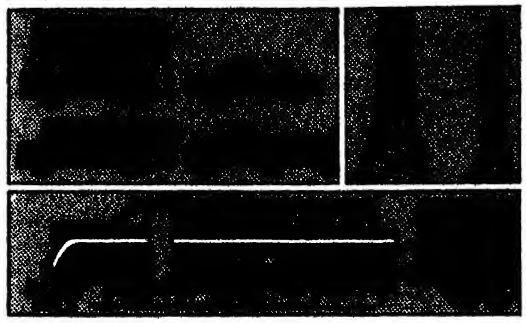
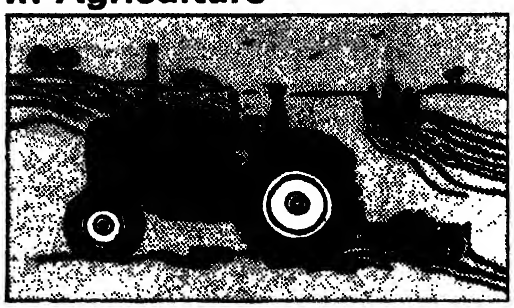


In a developing economy, transport and communications play a vital role. ABMEL not only make batteries that start the drive in all forms of transport but also provide specialised batteries to power efficient system of telecommunications.

In Agriculture



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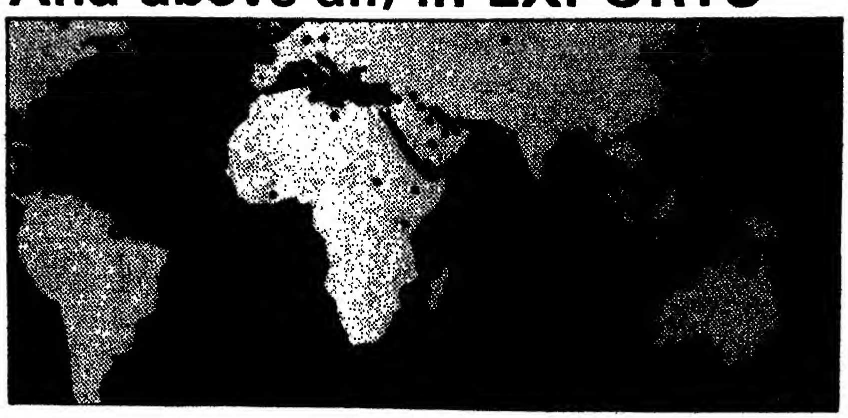

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fit or amenity granted or provided free of cost or at concessional rate to the employee by the taxpayer; (iv) any sum paid by the employer in respect of any obligation which but for payment by the taxpayer would have been payable by the employee e.g., provision of educational facilities for the employee's children, reimbursement of employee's club bills, hotel bills etc. by the taxpayer; (v) any sum paid by the taxpayer, whether directly or through a fund other than a recognised provident fund or an approved superannuation fund, to effect an assurance on the life of the employee or to effect a contract for an annuity.

64. It is being specifically provided that the following items will not be taken into account in computing the expenditure or allowance that will not be deductible under the new provisions set forth in Paragraphs 62 and 63:

(i) the value of any travel concession or assistance granted by the taxpayer to an employee who is a citizen of India (and his spouse and children) in connection with his proceeding to any place in India, whether on leave or after retirement from service, to the extent the amount thereof does not exceed the value of the travel concession or assistance which would have been received by the employee if he had proceeded to his home district in India;

(The value of such travel concession or assistance is already exempt from tax under an existing provision in the Income-tax Act)

(ii) passage moneys or the value of any free or concessional passage granted by the taxpayer to an employee who is not a citizen of India (and his spouse and children) in connection with his proceeding to his home country out of India, whether on leave or on retirement from service;

(Such passage moneys and the value of such free or concessional passage is already exempt from tax under another provision in the Income-tax Act.)

(iii) the employer's contributions to the employee's account in any recognised provident fund or an approved superannuation fund or for the employee's benefit to an approved gratuity fund;

(iv) where the taxpayer is a company, expenditure incurred by it for the purpose of promoting family planning amongst its employees.

65. The ceiling limit over the deductible amount of expenditure in respect of salary and perquisites etc., now proposed, will, however, not be applicable in the following cases:

(i) payments to an employee in respect of any period of his employment outside India;

(ii) payments to a foreign technician who is entitled to exemption from tax on his remuneration under Section 10 (6)(vii) or Section 10(6)(viia) of the Income-tax Act; and

(iii) payments to any employee whose income chargeable under the head "salaries" does not exceed Rs 7,500 per annum.

66. In order to prevent any circumventing of the new restrictions set forth in the preceding paragraphs by con-

verting 'contracts of service' into 'contracts for services', it is being provided that expenditure incurred by a taxpayer in payment of fees for services rendered by a person who at any time during the 24 months immediately preceding the relevant accounting year was his employee, will not be allowed as a deduction in computing the taxable profits of the taxpayer to the extent it exceeds Rs 60,000 in a year. In a case where the assessee also incurs in relation to such person, any expenditure on payment of salary (i.e. pension etc.), the deduction in respect of the expenditure on payment of fees and that on payment of salary will be limited to Rs 60,000 in the aggregate.

67. Under another provision in the Income-tax Act, expenditure incurred by a company on the provision of any remuneration or benefit or amenity to a director or a person who has a substantial interest in the company or to a relative of the director or of such person, and the expenditure or allowance in respect of any assets of the company which are used by such persons for their own purposes or benefit, is not allowable as a deduction to the extent such expenditure or allowance is, in the opinion of the Income-tax Officer, excessive or unreasonable. This provision is being amended in order to secure that such expenditure or allowance will be further subjected to an over-all ceiling limit of Rs 72,000 in a year, in respect of any one director or a person who has a substantial interest in the company or a relative of the director or such person.

68. A consequential amendment is also being made in the relevant provision of the Income-tax Act relating to amounts which are not deductible in computing the income of the taxpayer under the head "income from other sources".

69. The provisions set forth in Paragraphs 62 to 68 are being made effective from 1.4.1972 and will accordingly apply to the assessment year 1972-73 in relation to current incomes of the financial year 1971-72 or other accounting year corresponding to it.

Rationalisation Measures

70. *Definition of "company"*.—For purposes of the Income-tax Act, the term "company" is defined to mean: (i) any Indian company, or (ii) any association, whether incorporated or not and whether Indian or non-Indian, which is declared by a general or special order of the Central Board of Direct Taxes to be a company for purposes of the Act. This power to declare any association to be a "company" for tax purposes has been made use of for several years past with a view to conferring the status of a "company" on foreign companies as also on entities which are not otherwise within the scope of that concept. Such declaration is given by the Board, ordinarily, in the case of any entity which possesses the ordinary characteristics of a company limited by shares which is a legal person according to the laws of the country in which it is incorporated. Besides declaring companies registered in foreign countries to be "companies" for purposes of taxation in India, statutory corporations established by a central, provincial or state enactment, such as road transport corporations, air transport corporations etc., have been declared to be companies. Foreign corporations in which the capital is held wholly or partly by a foreign government have also been declared as "companies" for the purposes of income-tax, where such corporations are legal entities separate from the government and are capable of holding property independently and of suing and being sued according to the laws of that country. The provision has also been used on a few occasions to confer the status of company on bodies such as chambers of commerce, clubs, etc., even though these bodies do not possess the ordinary characteristics of a company limited by shares. The declaration under this provision has been given in some cases with restrospective effect to cover past years as well. Such retrospective declaration was given for special reasons such as that the application for the declaration was delayed for some reason or the other; or that the entity had already paid on its income for any past year on years at the progressive rates of tax applicable to non-corporate taxpayers when the taxable income for those years was comparatively low but sought a declaration as a "company", when the taxable income rose to higher ranges, so as to take advantage of the flat rate applicable to companies as this would be more favourable to it. In the latter type of cases, the declaration was made operative retrospectively to cover years in which the income had been taxed at lower rates on the consideration that if the taxpayer wanted the benefit of the flat rate applicable to companies for the later years, it should agree to pay tax at the same rates for earlier years as well.

71. The requirement that a foreign company could be treated as a company for purposes of the Income-tax Act only if it has been declared as a company by the Board generates unnecessary work. Further, giving retrospective effect to declarations made in the case of foreign companies or other non-corporate entities is not strictly in accordance with the provisions of the law. In order to place the existing practice, that has been followed over the last many years, on a statutory footing, and to reduce the number of cases in which declaration as a company has to be given by the Board, it is proposed to amend the definition of "company" for purposes of the Income-tax Act. Under the proposed definition, the term "company" will include, besides any Indian company, any body corporate incorporated by or under the laws of any country outside India. The term will also include any institute, association or body which is or was assessable or was assessed under the Indian Income-tax

Act, 1922 or the Income-tax Act, 1961 as a company for any assessment year up to and including the assessment year 1970-71. Further, as under the existing definition, the Central Board of Direct Taxes will have the power to declare, by general or special order, that any institution, association or body, whether incorporated or not and whether Indian or non-Indian, will be treated as a company for purposes of the Income-tax Act. This power of the Board is now being specifically made exercisable even in relation to past assessment years (whether commencing before, on or after 1.4.1972) and the declaration will have effect for any assessment year or years specified therein.

72. *Definition of "Indian company".*—The definition of the term "Indian company" in the relevant provision of the Income-tax Act presently covers only those companies which are formed and registered under the Companies Act, 1956 or the law relating to companies formerly in force in any part of India including Jammu & Kashmir or in the union territories of Dadra and Nagar Haveli, Goa, Daman and Diu and Pondicherry. It does not cover statutory corporations which, as stated in Paragraph 70, have to seek a declaration to be a company for purposes of taxation. Such a declaration does not, however, confer the status of "Indian company" on such statutory corporations. Even under the provision now proposed to be made in the Income-tax Act as discussed in Paragraphs 70 and 71, a statutory corporation established in India will not come within the definition of "Indian company". Apart from this, statutory corporations by their very nature, do not often have a share capital as such and hence such a corporation is not in a position to qualify for being treated as a 'domestic company' i.e. an Indian company or a company which has made the prescribed arrangements for the declaration and payment of dividends within India. This position sometimes results in unintended difficulties both as regards the rates of tax applicable to the company's income and also its eligibility to some of the tax concessions, such as the export markets development allowance, which are available only to domestic companies. It is accordingly proposed to amend the definition of 'Indian company' so as to cover statutory corporations established in India as also any institution, association or body which is declared by the Board to be a company and which has its principal office in India.

73. *Definition of "a company in which the public are substantially interested."*—The Income-tax Act makes a distinction in tax treatment as between a domestic company in which the public are substantially interested and a closely-held domestic company (i.e. a domestic company in which the public are not substantially interested). Closely-held companies are required (subject to certain exceptions) to distribute dividends upto the statutory percentage of their distributable income failing which they are liable to pay additional income-tax with reference to their undistributed profits. Closely-held companies are (subject to certain exception) also liable to income-tax on their income at rates which are higher than the rates applicable in the case of widely-held domestic companies.

74. A company is treated, for purposes of income-tax, as a "company in which the public are substantially interested" only if it satisfies the various tests laid down in the definition of the term in the Income-tax Act. Broadly speaking the aim of these tests is to decide whether there is wide public participation in the ownership of the shares in, and control over the affairs of, the company. Entities like chambers of commerce, clubs, etc. which are declared to be 'companies by the Board under the relevant provisions of the Income-tax Act, are essentially non-profit-making concerns and in the absence of a share capital, in the ordinary sense of the term, it is not practicable to apply to such entities the tests of a "company in which the public are substantially interested". The same difficulty arises with regard to the companies limited by guarantee.

75. In order to obviate the difficulties pointed out above, it is proposed to amend the definition of a "company in which the public are substantially interested" in order to provide that a company which is registered under Section 25 of the Companies Act (i.e. a company having for its object the promotion of commerce, art, science, religion, charity or any other useful object and which prohibits payment of dividends to its members) will be regarded as a company in which the public are substantially interested without the application of the various tests as to the composition of the ownership and control of the company. Further, in order to extend the benefit to entities which are not registered as companies but are declared to be companies for tax purposes and to companies limited by guarantee which are not registered under Section 25, it is proposed to vest powers in the Central Board of Direct Taxes to direct that such entities or companies shall be treated as companies in which the public are substantially interested. Such direction will be made by the Board having regard to the objects of the company, the nature and composition of its membership and other relevant considerations. The Board will be empowered to issue such direction even in respect of a past year and the direction will have effect for the assessment year or years specified therein.

76. The amendments set forth in Paragraphs 70 to 75 will take effect from 1.4.1971.

77. *Provisions relating to computation of a partner's share in the income of a firm and the tax payable by him*

where an unregistered firm is treated as a registered firm.—A partnership firm enjoys a concessional tax treatment if it is "registered" for purposes of the Income-tax Act. While in the case of an unregistered firm, income-tax is payable on the total income of the firm at the progressive rates of tax applicable in the case of individuals, Hindu undivided families, associations of persons etc., a registered firm pays tax on its income at low rates and the partners of the firm are chargeable to tax in respect of their share in the profits of the firm. Under an existing provision in the Income-tax Act, the Income-tax Officer is required to assess an unregistered firm as a registered firm and charge tax on the firm as well as its partners on that footing if such a course is more favourable to revenue. Prior to the assessment year 1971-72, in a case where an unregistered firm was treated as a registered firm, the firm was not required to pay income-tax on its income at the rates applicable in the case of a registered firm and only the partners were required to pay tax on their share in the profits of the firm. As a result of an amendment made in the relevant provision of the Income-tax Act through the Taxation Laws (Amendment) Act, 1970, this position has, however, been changed and now an unregistered firm which is assessed as a registered firm has to pay tax at the rates applicable in the case of registered firms and the partners of such a firm are charged to tax in respect of their share in the profits of the firm.

78. At present, any interest, salary, commission or other remuneration paid by the firm to its partners is included in the total income of the firm, but in determining the share of the individual partners in the income of the firm, these sums are excluded from the firm's total income. Further, where the firm is a registered firm, the tax, if any, payable by the firm on its total income is also deducted from its total income and the balance apportioned amongst the partners according to their profit-sharing ratios. The salary, interest, commission or other remuneration paid to a partner is then added to the amount falling to his share as aforesaid and the resultant amount is treated as his share in the income of the firm. This provision secures that the partner of a registered firm is not subjected to tax in respect of his share in the tax paid by the registered firm.

79. As pointed out in Paragraph 77, an unregistered firm which is assessed as a registered firm under the special provision in this behalf will now be liable to the tax leviable on registered firms. It is accordingly proposed to amend the provision in the Income-tax Act relating to the computation of a partner's share in the income of a firm in order to provide that in computing the partner's share in a case where an unregistered firm is assessed as a registered firm, the tax payable by the firm on its total income will be allowed as a deduction. This provision will place an unregistered firm which is assessed as a registered firm, and its partners, on a par with a registered firm and its partners in the matter of income-tax.

80. Under another provision in the Income-tax Act, in a case where a tax-payer is a partner in an unregistered firm, no income-tax is payable by him in respect of any portion of this share in the profits of the firm on which income-tax is payable by the firm. Now that an unregistered firm which is assessed as a registered firm under the special provision referred to in the preceding paragraphs will be liable to the tax leviable on registered firms, the relevant provision in the Income-tax Act is being amended in order to secure that in the case of a partner of an unregistered firm which is treated as a registered firm, the partner will be liable to pay income-tax on his share in the profits of the firm.

81. The provisions set forth in Paragraphs 79 and 80 will

take effect from 1.4.1971 and will accordingly apply in relation to assessments for the assessment year 1971-72 and subsequent years.

82. *Concessional taxation of inter-corporate dividends.*—Under the provisions of the Income-tax Act, inter-corporate dividends, i.e. dividends received by a company (whether Indian or foreign) on its holding of shares in a domestic company are subjected to tax on a concessional basis. This is brought about by allowing a deduction of a specified percentage of the dividends in computing the taxable income of the company receiving the dividends, and taxing the remainder at the rate of tax applicable to the ordinary income of the company. The deduction presently is --

(a) in respect of dividends received by a domestic company from any other domestic company, 60% of such dividends;

(b) in respect of dividends received by a foreign company from a domestic company,--

(i) where the company paying the dividend is a closely-held Indian company mainly engaged in a priority industry, 80% of the dividends;

(ii) in any other case, 65% of the dividends.

As a result of this deduction, the effective rate of taxation the dividends works out to 22% (55% to 40%) in the case of a widely-held domestic company which is liable to tax on its income at the rate of 55%; and 26% (65% of 40%) in the case of a closely-held domestic company, which is not an industrial company, where the rate of tax on the ordinary income is 65%. In the case of a foreign company, the effective incidence of tax on dividends received by it from a closely-held Indian company mainly engaged in a priority industry works out to 14% (70% of 20%), and, in respect of dividends received by it from any other domestic company, the effective rate of tax works out to 24.5% (70% of 35%).

83. The special concessional rate of 14% in respect of dividends received by a foreign company from a closely-held Indian company mainly engaged in a priority industry was provided in the context of the higher rate of tax applicable to the ordinary income of a closely-held domestic company, which reduces the amount available for distribution of dividends. However, in view of the circumstances that closely-held domestic companies which are engaged in industrial activities are now subjected to tax on the first Rs 10 lakhs of their income at the same rate as is applicable to widely-held domestic companies, *i.e.* 55%, and even on the balance of the income, a closely-held domestic company engaged in industrial activities is subjected to tax at 60% which is less than the rate of tax applicable to other closely-held domestic companies, it is proposed to discontinue the special concessional rate of tax allowed to foreign companies in respect of dividends received by them on their investments in the shares of closely-held Indian companies engaged in priority industries. Accordingly, the quantum of thed eduction in respect of such dividends in computing the taxable income of the foreign company is being reduced from 80% to 65% so as to bring it in line with the quantum of the deduction allowed in respect of dividends received by a foreign company from domestic companies generally. As a result of this change, the effective incidence of tax on dividends received by a foreign company from any domestic company will. henceforth, be 24 5%. This amendment will come into effect from 1.4. 1972 and will accordingly apply for the assessment year 1972-73 and subsequent years.

84. *Bar on registration of transfer of immovable property in a case where taxation liabilities remain unsatisfied.*—Section 230A of the Income-tax Act provides that a document of transfer of immovable property (other than agricultural land) valued at more than Rs 50,000 shall not be registered unless a certificate is obtained from the Income-tax Officer to the effect that the transferor has paid, or made satisfactory provision for payment of all existing tax liabilities under the Income-tax Act, Wealth-tax Act, Gift-tax Act and other direct taxes laws, or that the registration of the document will not prejudicially affect the recovery of any such liability. With a view to making this provision more effective in achieving the purpose for which it is intended and removing certain practical difficulties in its operation, it is proposed to make certain modifications therein as explained below:—

(a) It is proposed to widen the scope of the section to cover transfers of agricultural land valued at more than Rs 50,000.

(Agricultural land is liable to wealth-tax and transfers of agricultural land are liable to gift-tax. Capital gains arising from transfer of agricultural land situated in urban areas are liable to income-tax. Apart from these considerations, agricultural land is liable to be attached and sold for recovery of income-tax arrears. Hence, it is necessary to bring transfers of agricutural land within the scope of the restriction on registration in cases where taxation liabilities remain unsatisfied.)

(b) The provision is being extended to cover existing liabilities under the Companies (Profit) Surtax Act,

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1964 as also the Super Profits Tax Act, 1963 which preceded it.

(c) It is proposed to empower the Central Board of Direct Taxes to exempt, by notification in the Official Gazette, any institution, association or body or any class of institutions, associations or bodies from the requirement of obtaining a tax clearance certificate under this provision.

(This power is being conferred on the Board so as to obviate practical difficulties in the case of institutions such as, banks, Life Insurance Corporation, etc. which advance moneys in a large number of cases on the mortgage of immovable property and have to release the property from the mortgage when the debt has been discharged by the borrower. The requirement of a tax clearance certificate in such cases throws an avoidable administrative burden on the institution concerned and also on the Income-tax Department, without any significant advantage to the revenue. Under the proposed provision, the Board will be required to record the reasons for exempting any institution etc. from the requirement of obtaining a tax clearance certificate)

85. The proposed amendments to section 230A will take effect from 1-10-1971.

86. *Dividends paid by a company out of its profits and gains which are assessed to agricultural income-tax levied by any state government.*—Section 235 of the Income-tax Act presently provides for the grant of relief to shareholders of a company on that part of the dividend on their shares which is attributable to the paying company's agricultural income which has been subjected to agricultural income-tax under a state law. The quantum of the relief is the proportionate amount of the agricultural income-tax borne by the company on its profits, but limited to the amount of central income-tax payable by the shareholder, on that part of the dividend which is attributable to the profits of the company assessed to agricultural income-tax. In the case of a shareholder other than a company, the relief is further limited to an amount calculated at 27.5% on that portion of the dividend which is attributable to the profits of the company assessed to agricultural income-tax.

87. The provision referred to in the preceding paragraph is contrary to the concept underlying the present scheme of taxation of companies and their shareholders, under which no part of the central income-tax borne by the company on its income is considered as having been paid on behalf of the shareholders. So far as the shareholder is concerned, the proximate source of the dividend is the investment in the shares and not the profits of the company. In these circumstances, it is anomalous to grant relief to shareholders in respect of the agricultural income-tax borne by a company on its profits. The provision in Section 235 is accordingly proposed to be omitted from the Income-tax Act. This omission will take effect from 1-4-1972 and the relief will, therefore, cease to be available to shareholders from the assessment year 1972-73.

Streamlining of Recovery Work

88. The Income-tax Act contains a self-contained code for recovery of tax and other dues under that Act. Where a taxpayer is in default in payment of tax, the Income-tax Officer forwards to the 'Tax Recovery Officer' a certificate

specifying the amount of arrears due from the taxpayer and thereupon the Tax Recovery Officer proceeds to recover from the taxpayer the amount specified therein by one or more of the modes mentioned below:—

1. Attachment and sale of the taxpayer's movable property.
2. Attachment and sale of the taxpayer's immovable property.
3. Arrest of the taxpayer and his detention in prison.
4. Appointment of a receiver for the management of the taxpayer's movable and immovable properties.

For this purpose, "Tax Recovery Officer" has been defined in the Income-tax Act to mean: (i) a Collector or an Additional Collector; (ii) any officer of a state government who exercises the powers to effect recovery of arrears of land revenue etc. under the relevant state law, if such officer is authorised to exercise the powers of a Tax Recovery Officer; and (iii) any gazetted officer of the central or state government authorised by the central government to exercise the powers of a Tax Recovery Officer. Although the existing definition includes the state government officers referred to above, in actual practice, the work of tax recovery has already been taken over by the gazetted officers of the central government, who are generally Income-tax Officers, and the present position is that except in relation to a few districts, the work has entirely been taken over by the Income-tax Department.

89. In the course of effecting recoveries of taxes, the Tax Recovery Officer is required to pass various orders relating to attachment and sale of properties or appointment of receivers etc. At present, the appeals against such orders lie to certain state government officials. Where the T.R.O. is a Collector or an Additional Collector or a gazetted officer of the central or state government, including an Income-tax Officer, who is authorised by the central government to exercise the functions as such, the appeal generally lies to the Revenue Commissioner having jurisdiction over the district concerned. Where, however, the Tax Recovery Officer is a state government officer other than a Collector or an Additional Collector, the appeal lies to the revenue authority to which an appeal or application for revision would ordinarily lie if the order passed by the officer were an order under a law relating to land revenue or other public demands of the state concerned. In practical terms, this means that where the Tax Recovery Officer is a Tehsildar or a Mamlatdar, an appeal against his order in certain states lies to the Collector of the district.

90. In view of the position that the tax recovery work has been taken over practically in its entirety by officers of the Income-tax Department, it is proposed to amend the relevant provisions in the Income-tax Act in order to provide that an appeal from an original order passed by a Tax Recovery Officer, not being an order which is conclusive, would lie to a senior officer of the Income-tax Department who would be designated as the Tax Recovery Commissioner. A new provision is accordingly being made in the definition clause in the Income-tax Act to define the Tax Recovery Commissioner as a Commissioner or an Assistant Commissioner of Income-tax who may be authorised by the central government, by general or special notification in the official gazette, to exercise the powers of a Tax Recovery Commissioner. Under the new provision, an appeal from an original order passed by a Tax Recovery Officer, being any gazetted officer of the central government or state government who has been authorised by the central government under Section 2 (44) (iii) of the Income-tax Act to exercise the powers of a Tax Recovery Officer under the Second Schedule to the Income-tax Act, will hereafter lie to the Tax Recovery Commissioner instead of the revenue authority to which appeals ordinarily lie against the orders of a Collector under the law relating to land revenue of the state concerned. Appeals against the orders passed before the date of appointment of a Tax Recovery Commissioner in respect of any area, by any Tax Recovery Officer (including state revenue officers) will also lie to the Tax Recovery Commissioner and not to the appellate authority of the state government. Further, as a transitional measure, it is being provided that the appeals pending with the state government authorities on the date of appointment of a Tax Recovery Commissioner in respect of any area wherein the work of recovery of tax has been taken over by Tax Recovery Officers of the central government, will stand transferred to the Tax Recovery Commissioner exercising jurisdiction over that area.

91. Apart from attending to the appellate work, the Tax Recovery Commissioners will be placed in over-all administrative charge of the tax recovery work in their respective jurisdictions. Further, in order to enable the Tax Recovery Commissioners to perform their new functions effectively, it is proposed to make certain ancillary provisions in the Second Schedule to the Income-tax Act. These ancillary provisions are as follows:—

(i) Tax Recovery Commissioners will, in the discharge of their functions, be deemed to be acting judicially within the meaning of Judicial Officers' Protection Act. 1850.

(ii) Every Tax Recovery Commissioner shall have the powers of a civil court while trying a suit for the

the purpose of receiving evidence, administering oaths, enforcing attendance of witnesses and compelling production of documents.

(iii) Tax Recovery Commissioners will have the power to review the orders passed by them under the Second Schedule to the Income-tax Act for the purpose of rectifying any mistake apparent from the record.

92. The power of the Board to make rules for regulating the procedure to be followed by Tax Recovery Officers etc. is being enlarged in order to enable the Board to define the areas within which the Tax Recovery Commissioners may exercise jurisdiction.

93. The amendments set forth in Paragraphs 88 to 92 will take effect from 1-1-1972.

V. Proposed Amendments to the Wealth Tax Act, 1957.

94. *Increase in the rates of ordinary Wealth-tax in the case of individuals and Hindu undivided families.*—Under the existing provisions of the Wealth-tax Act, the rates of ordinary wealth-tax in the case of individuals and Hindu undivided families range from 1% in the first slab of taxable net wealth (after an initial exemption of Rs 1,00,000 in the case of individuals and Rs 2,00,000 in the case of Hindu undivided families. The Bill proposes to make certain modifications in these rates with a view to increasing the yield of revenue and to increase the incidence of tax on wealth in higher slabs. Under the proposed rate schedule, wealth-tax will be chargeable on every rupee of the net wealth where the net wealth exceeds the exemption limit of Rs 1,00,000 in the case of an individual or Rs 2,00,000 in the case of a Hindu undivided family. Accordingly, wealth-tax will be chargeable on the first slab of Rs 5,00,000 of the net wealth at the rate of 1%. The rates of wealth-tax in the next two slabs, i.e. from Rs 5,00,001—10,00,000 and Rs 10,00,001—15,00,000 will continue at the existing rates of 2% and 3%, respectively. On net wealth in the slab over Rs 15,00,000, the rate of ordinary wealth-tax proposed in the Bill is 8%, as against 4% in the slab Rs 15,00,001—20,00,000 and 5% on net wealth over Rs 20,00,000 under the existing law. As already stated, no wealth-tax will be payable in a case where the net wealth does not exceed Rs 1,00,000 in the case of an individual or Rs 2,00,000 in the case of a Hindu undivided family. Further, where the net wealth exceeds the exemption limit of Rs 1,00,000 or Rs 2,00,000, as the case may be, by a small margin, the wealth-tax payable will be *the lower of*:—(a) tax at the rate of 1% on the amount of the net wealth; or (b) an amount equal to 10% of the amount by which the net wealth exceeds the exemption limit. This is illustrated in the following table:—

INDIVIDUAL

Net Wealth	Wealth-tax at 1% of the net wealth	Wealth-tax at 10% of the excess over Rs 1,00,000
1	2	3
Rs 1,00,000	Nil	Nil
Rs 1,10,000	1.100	1,000
Rs 1,11,000	1,110	1,100
Rs 1,11,100	1,111	1,110
Rs 1,11,200	1,112	1,120

It will be observed from the above table that up to a net wealth of Rs 1,11,100, the amount calculated under the marginal provision as explained above (col. 3) is lower than the amount arrived at by applying the rate of 1% to the whole of the net wealth (col. 2). On the other hand, when the net wealth amounts to Rs 1,11,200, wealth-tax at the rate of 1% of the entire wealth is lower than that calculated by applying the marginal provision. Hence, in the case of an individual, the marginal provision ceases to be applicable from this level upward. In the case of a Hindu undivided family, there will be a similar margin immediately above Rs 2,00,000, in which

the tax calculated at 10% of the excess of the net wealth over Rs 2,00,000 will be less than that calculated at the rate of 1% on the entire net wealth.

95. The rates of additional wealth-tax on lands and buildings situated in urban areas continue without change. The increases in the rates of ordinary wealth-tax as explained in the preceding paragraph will come into effect from 1-4-1972 and will accordingly apply for the assessment year 1972-73 and subsequent years. A consequential amendment is also being made to Section 18 of the Wealth-tax Act relating to penalties for failure to furnish wealth-tax return and for other defaults.

96. *Aggregation of assets belonging to the spouse or minor child of an individual with the net wealth of the individual.*—Under the existing provisions in Section 4 of the Wealth-tax Act, assets held by the spouse or minor child of an individual are required to be included in computing the net wealth of the individual in certain cases. This provision presently applies to cases where such assets have been transferred by the individual (a) to the spouse, otherwise than for adequate consideration or in connection with an agreement to live apart; or (b) to a minor child (not being a married daughter), otherwise than for adequate consideration; or (c) to any person or association of persons, otherwise than for adequate consideration, for the immediate or deferred benefit of the individual himself, his or her spouse or minor child (not being a married daughter) or both; or (d) to a person or association of persons otherwise than under an irrevocable transfer. Transfers made in these cases prior to 1st April, 1956 are outside the scope of this provision. Transfer of assets in regard to which gift-tax is chargeable, or which are specifically exempt from the charge of gift-tax under Section 5 of the Gift-tax Act, for the assessment year 1964-65 or any subsequent assessmenty ear, are also outside the scope of this provision. This latter provision was introduced in the Wealth-tax Act in the context of the increases made under the Finance Act, 1964. in the rates of gift-tax. As the rates of gift tax presently applicable on gifts up to Rs 20,00,000 are considerably lower than those prevailing under the Finance Act of 1964 and the incidence of wealth-tax has also substantially increased, it is proposed to amend the relevant provisions in the Wealth-tax Act so as to restore the position which obtained prior to 1964-65. Accordingly, the Bill provides that the value of assets transferred by an individual in the circumstances detailed earlier, after the end of the previous year under the Gift-tax Act relevant to the assessment year 1971-72, will be includible in the net wealth of the individual making the transfer. The present provision exluding from aggregation assets comprised in a transfer in respect of which gift-tax was chargeable under the Gift-tax Act, or which is specificially exempt from charge of gift-tax under Section 5 of that Act, will apply only in relation to transfers in respect of which gift-tax is chargeable or which are specifically exempt from gift-tax for the assessment year 1964-65 to 1971-72 (both inclusive). Assets which are the subject of a transfer in respect of which gift-tax is chargeable during the assessment year 1972-73 or in any later year will, nevertheless, be aggregated with the net wealth of the individual making the transfer.

97. *Conversion of separate property of an individual into a Hindu joint family property.*—The provision in the Wealth-tax Act for the aggregation of assets transferred by an individual to or for the benefit of the spouse or minor child in certain circumstances, as explained in the preceding paragraph, has so far not been applicable in relation to transfer of assets made through the medium of a Hindu undivided family. This is in view of the position that, according to the courts, the conversion of the separate property of an individual into joint Hindu family property, by impressing such separate property with the character of property belonging to the family or throwing it into the common stock of the family, does not amount to a transfer of such property even where the converted property is subsequently partitioned amongst the members of the joint family resulting in passing of the property to the spouse or minor children. With a view to closing this loophole for the avoidance or reduction of tax liability through the device of converting separate property of an individual into joint Hindu family property, the Bill seeks to make a new provision in the Wealth-tax Act to cover such cases. Under the proposed provision, in a case where an individual converts his separate property into joint family property of the Hindu undivided family of which he is a member, by impressing such property with the character of the joint family property or by throwing such property into the common stock of the Hindu undivided family, he will be deemed to have transferred the converted property through the family to the members of the family for being held by them jointly. The share in the converted property in so far as it is attributable to the interest of the individual, his spouse or minor children (other than married daughters) will be included in the net wealth of the individual. Further, in the event of a partial or total partition in the Hindu undivided family, the shares allotted to the spouse or minor children in the converted property will also be similarly included in the net wealth of the individual.

98. This amendment will take effect from 1-4-1972 and will accordingly be applicable for the assessment year 1972-73 and subsequent assessment years. However, the provision will apply in relation to conversions of separate property into joint Hindu family property effected after 31-12-1969, which is the date specified for the purpose in the corresponding provision in Section 64 of the Income-tax Act relating to aggregation of income from such converted

property with the income of the individual making the conversion is so far as the income is attributable to the individual's own share in the property of the family or to the shares of his spouse or any minor son in the property of the family.

99. *Tax treatment of members of co-operative housing societies.*—Co-operative housing societies are becoming increasingly popular amongst members of the middle and upper middle classes as these enable them to pool their resources and build houses or flats in mult-storeyed buildings, often with aid of loans from state governments, state housing boards and other financing bodies. Co-operative house building societies fall broadly into two classes, namely (a) those in which the houses of flats legally belong to the members themselves, the society being only a means to secure the land, the necessary financial resources by way of loan or otherwise, arranging for the construction and attending to the maintenance of the houses or flats; and (b) societies in which the building belongs to the society itself and not to individual members to whom the house or flat is merely allotted or leased for use. While in the former type of societies, the houses or flats are, for wealth-tax purposes, treated as belonging to the members themselves, in the latter type of societies, the members cannot legally be regarded as owning the houses or flats and their right *vis-a-vis* the society is only to the extent of the value of the shares held by them in the society, which would consitute movable property for purposes of wealth-tax. This places members of the second-mentioned type of co-operative societies at a disadvantage as compared to members of the first-mentioned type of societies, inasmuch as they will not be eligible for the exemption in Section 5(1)(iv) of the Wealth-tax Act in respect of their residential houses up to a value of Rs 1,00,000.

100. With a view to removing this disparity between members of co-operative housing societies, the Bill seeks to make a provision to the effect that a member of a co-operation housing society to whom a building or part thereof is allotted or leased under a house building scheme of the society will be regarded as the owner of that building or part for purposes of wealth tax. It is also being provided that in determining the value of such building or part for purposes of inclusion in the net wealth, the value of any outstanding instalments of the amount payable by the member of the society to the society towards the cost of such building or part (including the land appurtenant thereto) under the house building scheme of the society will be deducted as a debt owed by him in relation to such building or part. Accordingly, the value of the house or flat for wealth-tax purposes will be taken to be the difference between the market value of the flat if it were free from any encumberance and the discounted value of outstanding instalments of the amount payable by him to the society towards the cost of the building of flat. As the member will be considered as the owner of such house or flat, he will also become entitled to the exemption in respect of residential house up to the value of Rs 1,00,000 in the computation of his net wealth.

101. As a corollary to the provision explained in the preceding paragraph, it is also being provided that the amount paid by the member to the society as his share in the cost of construction of the building, which is generally held in the books of the society as a deposit by such member, will not again be included in his net wealth as this is already covered by the net value of the house or flat.

102. These amendments will come into effect from 1-4-1972 and will accordingly apply for the assessment year 1972-73 and subsequent years

103. *Withdrawal of some of the present exemptions from Wealth-tax.*—Section 5(1) of the Wealth-tax Act pro-

vides exemptions from wealth-tax in respect of certain assets by excluding these in the computation of the net wealth. One of these exemptions, which is contained in Clause (viii) of Section 5(1), is in respect of—

"furniture, household utensils, wearing apparel, provisions and other articles intended for the personal or household use of the assessee".

Another item of exemption (which was provided prior to 1-4-1963) was in respect of—

"jewellery belonging to the assessee, subject to a maximum of Rs 25,000 in value".

In the case of Commissioner of Wealth-tax vs. Mrs Arundhati Balakrishna, the Supreme Court held that the expression "other articles intended for the personal or household use of the assessee" in Section (5)(1)(viii) included jewellery which is held by the assessee for her personal or household use. The Court further held that the exemption of jewellery up to Rs 25,000 in value under Section 5(1)(xv), as it existed prior to 1-4-1963, operated in respect of jewellery other than that held for personal or household use of the assessee. The interpretation placed by the Supreme Court on the provisions in Clauses (viii) and (xv) of Section 5(1) revealed that these clauses did not bring out correctly the intention underlying them, namely, that up to 1962-63, jewellery should be exempt from wealth-tax only up to a value of Rs 25,000 and from 1963-64 onwards, when the specific exemption in Section 5(1)(xv) was omitted from the Act, jewellery should not at all qualify for exemption from wealth-tax.

104. With a view to bringing out this intention clearly and implementing the purpose underlying the withdrawal of exemption from jewellery altogether from wealth-tax from 1963-64, it is proposed to amend Clause (viii) of Section 5(1) of the Wealth-tax Act retrospectively from 1-4-1963 so as to exclude jewellery altogether from the purview of that clause. Further, the term "jewellery" is being given an extended meaning prospectively so as to include—

(i) ornaments made of gold, silver, platinum, or any other precious metal or any alloy containing one or more of such precious metals, whether or not containing any precious or semi-precious stone and whether or not worked or sewn into any wearing apparel; and

(ii) precious or semi-precious stones, whether or not set in any furniture, utensil or other article or worked or sewn into any wearing apparel.

It is also proposed to restrict the operation of the exemption in Clause (viii) prospectively in respect of the following assets :

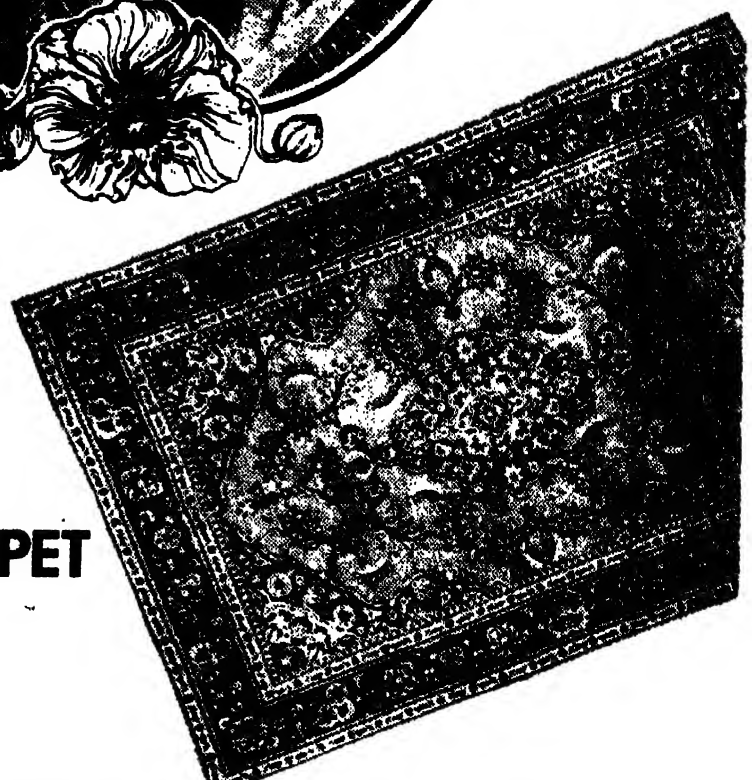
(a) Furniture, utensils and other articles which, though held for personal or household use of the assessee, are made of or contain (whether by way of embedding, covering or otherwise,) gold, silver, platinum or any other precious metal or any alloy containing one or more of such precious metals, will be excluded altogether from the purview of the exemption.

(b) Motor cars and other mechanically propelled vehicles, aircraft and boats will hereafter be exempt up to an aggregate value of Rs 25,000 only.

105. The exclusion of jewellery from the purview of the exception will be operative retrospectively from the assessment year 1963-64. The extended meaning of the term "jewellery" as stated in the preceding paragraph, as also the exclusion of furniture, utensils and other articles referred to in item (a) and the limitation of the exemption in respect of conveyances to Rs 25,000, as stated in item (b), will become effective from 1-4-1972, i.e. for the assessment year 1972-73 and subsequent assessment years.

106. *Shares in new industrial companies.*—Clause (xx) of Section 5(1) exempts from wealth-tax the value of shares held by the assessee in any company established with the object of carrying on an industrial undertaking in India, where such shares form part of the initial issue of equity share capital made by the company after 31-3-1964. The exemption is available for a period of 5 years commencing with the assessment year next following the date on which such company commences the operations for which it has been established. In the context of the improved climate for new equity issues of industrial companies, it is now proposed to withdraw this exemption in respect of shares forming part of an initial issue of equity share capital made after 31-5-1971. Such shares will, however, be included in the categories of investments which are exempt from wealth-tax up to the aggregate value of Rs 1,50,000 under the provision introduced last year. In respect of shares issued up to 31st May, 1971, the exemption will continue to be available as at present, without any ceiling limit.

107. *Financial assets qualifying for exemption from Wealth-tax.*—Under a provision introduced by the Finance Act, 1970, exemption from wealth-tax is available in respect of the investments in specified financial assets up to an aggre-

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gate value of Rs 1,50,000. The categories of investments qualifying for this exemption comprise—

(a) Government securities, including small savings securities of the central government.

(b) Fixed deposits with the central government as also in post offices on government account, and Recurring and Time Deposits in post offices.

(c) Shares in Indian companies.

(d) Notified debentures.

(e) Units in the Unit Trust of India.

(f) Deposits with banking companies, including co-operative banks, land mortgage banks and land development banks.

(g) Deposits with approved financial corporations engaged in providing long-term finance for industrial development in India.

It is now proposed to enlarge this list so as to include (i) shares in a co-operative society, and (ii) deposits made by a member of a co-operative society with the society (other than deposits made with a co-operative housing society by a member of the society to whom a building or part thereof is allotted or leased under a house building scheme of the society, which are proposed to be exempted from wealth-tax without any limit, to the extent such deposits have been made under the house building scheme of the society). Accordingly, in computing the exemption from wealth-tax up to Rs 1,50,000, these assets will also be taken into account.

108. The exemption in respect of investments in specified financial assets as explained in the preceding paragraph is presently available also to a discretionary trust which is chargeable to tax on its net wealth at the flat rate of 1½% or at the rates applicable in the case of an individual, whichever is higher. As this is not in consonance with the intention underlying the provision made last year for the taxation of discretionary trusts in this manner, it is now proposed to withdraw the exemption in respect of these items of financial assets in computing the net wealth of a discretionary trust. However, it is being specifically provided that the exemption in respect of these assets will continue to be available in the case of discretionary trusts referred to in the proviso to Section 21(4), that is to say—

(i) a testamentary trust;

(ii) a non-testamentary trust created before 1-3-1970 *bona fide* for the benefit of the relatives of the settlor or members of the Hindu undivided family which created the trust, where such relatives or members were mainly dependent on the settlor for their support and maintenance;

(iii) provident funds, superannuation funds, gratuity funds, pension funds and other funds created *bona fide* by a person carrying on a business or profession exclusively for the benefit of persons employed in such business or profession.

109. The enlargement of the scope of financial assets qualifying for exemption from wealth-tax so as to include shares in co-operative societies and deposits by members with a co-operative society, as also the withdrawal of the exemption in respect of these assets in the case of discretionary trusts which are chargeable to tax at the flat rate of 1½% or at the rates applicable in the case of an individual, whichever is higher, will all become effective from 1-4-1972, *i. e.* for the assessment year 1972-73 and subsequent assessment years.

110. *Recovery of wealth-tax arrears.*—Under Section 32 of the Wealth-tax Act, the provisions of the Income-tax Act relating to recovery of arrears of income-tax are made applicable also for the purpose of recovery of arrears of wealth-tax and sums imposed by way of a penalty, fine and interest. In the context of the amendments proposed to be made in the Income-tax Act so as to vest in Tax Recovery Commissioners appellate jurisdiction over orders of Tax Recovery Officers, a consequential amendment is proposed to be made in the Wealth-tax Act so as to confer on Tax Recovery Commissioners jurisdiction over appeals against orders of Tax Recovery Officers in proceedings for recovery of wealth-tax also. This amendment will take effect from 1-1-1972 from which date the relevant amendment to the Income-tax Act will become effective.

VI. Proposed Amendments to Gift-tax Act 1958

111. *Conversion of self-acquired property by an individual into property belonging to the Hindu undivided family of which he is a member.*—Under the Gift-tax Act, 1958, gift-tax is levied for every assessment year in respect of gifts made by a person during the previous year, *i.e.* the financial year immediately preceding the relevant assessment year or any other corresponding accounting year. The term "gift" is defined to mean the transfer by one person to another of any existing movable or immovable property made voluntarily and without consideration in money or money's worth and to include the transfer of any property deemed to be a gift under Section 4 of that Act. Although the expression "transfer of property" has also been given an extended meaning so as to cover certain transactions which would not ordinarily be comprised within that term, it was held by the Supreme Court in the case of Goli Easwariah V. Commissioner of Gift-tax, Andhra Pradesh that the act of conversion of separate property by a coparcener of a Hindu undivided family into property belonging to the family did not fall within the normal or even the extended meaning of the term "transfer of property" under the Gift-tax Act and hence such an act of conversion of separate property into Hindu undivided family property did not attract liability to gift-tax.

112. With a view to closing this loophole for avoidance of gift-tax liability by using the device of converting self-acquired property into Hindu undivided family property, it is now proposed to make a suitable amendment to the relevant provision in the Gift-tax Act for the purpose. Under the amendment, it is being provided that where a member of a Hindu undivided family converts his separate property into joint family property, he shall be deemed to have made a gift, in favour of the family, of so much of that property as the other members of the family would be entitled to if a partition of the converted property had taken place immediately after such conversion. The definition of the term "gift" is also being modified so as to include in it the tranfer or conversion of any property referred to in Section 4, deemed to be a gift under that section. These amendments will take effect from 1st April, 1972 and will accordingly apply for the assessment year 1972-73 and subsequent years.

113. *Exemption of gifts made by charitable or religious institutions or funds.*—Section 45 of the Gift-tax Act excludes from the purview of that Act, *inter alia*, any gifts made by an institution or fund the income whereof is exempt from income-tax under Section 11 of the Income-tax Act. Under certain amendments made through the Finance

Act, 1970 to the provisions of Sections 11 and 13 of the Income-tax Act, charitable or religious institutions or funds may not qualify for exemption from income-tax on the whole or a part of their income in certain circumstances. Some of these circumstances are (a) where the institution or fund fails to apply its income to charitable or religious purposes within the same year or within three months immediately following that year; and (b) where the institution or fund makes investments in a concern in which the founder of the institution or fund and his relatives have a substantial interest and the investment does not exceed 5% of the capital of such concern. As it is not the intention that gifts made by a charitable institution or fund which would comprise the application of its income to the charitable or religious purposes of the institution or fund) should be brought within the purview of liability to gift-tax in these circumstances, it is now proposed to make a clarificatory amendment in Section 45 of the Gift-tax Act to bring out this intention. Under the amendment, it is being provided that a charitable institution or fund will not forfeit the exemption from gift-tax in respect of gifts made by it merely because—(a) subsequent to the gift, any income of the institution or fund becomes chargeable to income-tax due to non-compliance with any of the provisions of Section 11 of the Income-tax Act relating to the application of income during the accounting year itself; or (b) the institution or fund forfeits exemption in respect of a part of its income which arises from investments made in a concern in which the founder of the institution or fund or his relatives have a substantial interest, where the aggregate of the funds invested by the institution or fund in such a concern does not exceed 5% of the capital of that concern. This amendment is being made retrospectively from 1st April, 1971 and will accordingly apply for the assessment year 1971-72 and subsequent years.

114. *Recovery of arrears of gift-tax.*—Section 33 of the Gift-tax Act applies for purposes of gift-tax the provisions of the Income-tax Act relating to recovery of arrears of income-tax. In the context of the amendment being made in the Income-tax Act so as to vest in Tax Recovery Commissioners jurisdiction to hear appeals against orders of Tax Recovery Officers, a consequential amendment is being made in the Gift-tax Act to vest such jurisdiction in respect of orders passed by Tax Recovery Officers in the course of recovery proceedings relating to gift-tax as well. This amendment will take effect from 1-1-1972 from which date the amendment to the Income-tax Act will also become effective.

115. *Drafting amendment to Section 5(1) of the Gift-tax Act.*—Section 5(1) of the Gift-tax Act relating to exemption in respect of certain gifts exempts, *inter alia*, gifts made to an institution or fund established for a charitable purpose, as also gifts made to any temple, mosque, gurdwara, church or other place of worship which has been notified by the central government for the purpose of the exemption under the Income-tax Act in respect of donations made for the repair or renovation of such places. These provisions in Section 5(1) of the Gift-tax Act presently refer to Section 88 of the Income-tax Act. As Section 88 of the Income-tax Act has been replaced with effect from 1-4-1968, by Section 80G, it is now proposed to make a drafting amendment to Section 5(1) of the Gift-tax Act so as to refer to the provision in Section 80G of the Income-tax Act. These amendments are being made retrospectively from 1-4-1968.

VII. Proposed Amendments to the Companies (Profits) Surtax Act

116. *Rates of Surtax.*—Under the provisions of the Companies (Profits) Surtax Act, 1964, surtax is leviable on so much of the chargeable profits of a company as exceed the statutory deduction, at the rate or rates specified in the


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Third Schedule to that Act. The term "statutory deduction" is defined to mean an amount equal to 10% of the capital of the company as computed in accordance with the provisions of the Second Schedule or an amount of Rs 2,00,000, whichever is greater. The rate of tax presently leviable is 25%.

117. It is now proposed to levy surtax in two slabs on the amount by which the taxable profits exceed the amount of the statutory deduction at the following rates :—

(i) On the amount of such excess up to 5% of the amount of capital as computed in accordance with the Second Schedule ..	25%
(ii) On the balance of such excess	30%

This amendment will come into force with effect from 1-4-1972 and will accordingly apply for the assessment year 1972-73 and subsequent years.

118. *Recovery of arrears of surtax.*—Section 18 of the Companies (Profits) Surtax Act applies for purposes of surtax certain provisions of the Income-tax Act, including the provisions relating to recovery of arrears of income-tax. In the context of the amendments proposed to be made in the Income-tax Act so as to vest in Tax Recovery Commissioners jurisdiction to hear appeals against the orders of Tax Recovery Officers, it is proposed to make a consequential amendment to Section 18 of the Surtax Act so as to vest such jurisdiction in respect of appeals in proceedings relating to recovery of surtax as well. This amendment will take effect from 1-1-1972 from which date the corresponding amendments to the Income-tax Act also come into effect.

VIII. Miscellaneous Provisions

119. *Deposit Insurance Corporation.*—The Deposit Insurance Corporation was set up under the Deposit Insurance Corporation Act, 1961 and came into existence on 1-1-1962. Under Section 30 of that Act, the Corporation was exempted from taxation on its income for an initial period of 5 years covering its profits up to 31-12-1966. This period was extended by 5 years, *i. e.* to cover profits of the Corporation up to 31-12-1971, by an amendment of Section 30 of that Act through the Finance (No. 2) Act, 1967.

120. The Corporation has now embarked on an ambitious scheme of extending the coverage of insurance to the co-operative banking sector and also extending such coverage to a higher quantum of individual deposits than formerly. With a view to enabling the Corporation to build up its reserve funds to an adequate extent and also gain experience of the additional risks involved in extending its activities, as stated above, it is proposed to continue the exemption from taxation of the Corporation on its income for a further period of 5 years. This will cover the profits of the Corporation up to 31-12-1976.

121. *Housing and Urban Development Finance Corporation Private Ltd.*—The Housing and Urban Development Finance Corporation Private Ltd is registered as a company under the Companies Act and is wholly owned by the government. The primary objective of the Corporation is to provide finances to state housing boards. etc. for accelerating housing and urban development programmes. The Corporation will concentrate, progressively, on the financing of programmes intended for housing the weaker sections of the community and will thus meet a pressing social need. With a view to enabling the Corporation to perform these functions effectively and to build up its resources, it is proposed to make an independent provision in the Finance (No. 2) Bill, 1971 so as to exempt from income-tax and surtax the income of the Corporation for a 10-year period covering the assessment years 1971-72 to 1980-81 (both inclusive).

122. *Repeal of the provision in Section 2 of the Finance Act of 1971 relating to rates of Income-tax.*—As the provisions in the Bill relating to rates of income-tax seek to replace the corresponding provisions in the earlier Finance Act of 1971 with retrospective effect from April 1, 1971, Section 2 of the Finance Act, 1971 is proposed to be repealed.

CUSTOMS

The proposals include :—

(a) modification in the rates of basic customs duty on various imported articles as a measure of simplification and rationalisation of the rate structure;

(b) fixing of suitable rates of basic customs duty on certain articles released from bindings under the General Agreement on Tariffs and Trade secured by offer of fresh bindings of a much lower order.

2. (a) *Status quo* is, however, being maintained in respect of the following items, among others:—

(i) All articles which were already liable to a duty of 100 per cent *ad valorem* or higher;

(ii) Articles on which the rates of duty are bound under the General Agreement on Tariffs and Trade;

(iii) Articles subject to protective duties;

(iv) Sulphur;

(v) Fertilizers and pesticides;

(vi) Raw cotton and raw jute;

(vii) Raw cashew nuts;

(viii) Rapeseeds;

(ix) Soya bean oil;

(x) Newsprint;

(xi) Raw hides and skins;

(xii) Family planning accessories; and

(xiii) Educational and research material.

(b) The rate of duty on all items of machinery (including those for projects) and certain other articles whose rates of duty are related to the machinery rate has been fixed at 30 per cent *ad valorem.*

3. The overall gain in revenue as a result of these changes after adjustment of the loss as a result of the fixation of the rate at 30 per cent *ad valorem* referred to in 2(b), is estimated at Rs 6,000 lakhs.

4. Details of the increases in duty where the additional


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revenue is expected to be Rs 100 lakhs or more during a full year are given in Table I.

5. Additional revenue amounting to Rs 400 lakhs is also expected from additional duties (countervailing duties) on imported goods corresponding to increases/levies of central excise duties. Details of these are given in Table II.

6. There will thus be a net increase in customs revenue of Rs 6400 lakhs for a full year made up as under:—

		Rs lakhs
Gain due to increase in basic import duties		(+) 6740
Gain due to increase in additional duties (countervailing duties)		(+) 400
Loss due to reduction in basic import duties		(—) 740
Net gain	Total	(+) 6400

TABLE I

Sl. No.	Item No. in the Import Schedule to the Indian Tariff Act	Brief description of goods	Present effective rate of duty	Proposed effective rate of duty	Additional revenue expected (+) or loss likely to be incurred (—) per annum (Rs lakhs)
(1)	(2)	(3)	(4)	(5)	(6)
1.	46 (2)	Wool raw and wool tops	Nil	40%	(+) 788
2.	46 (6)	Staple fibre excluding yarn	25%	100%	(+) 561
3.	63 and sub-items	Iron and Steel material	27½% (15% in few cases)	30% (Steel tin plates and tinned sheets 40%)	(+) 706
4.	64 (2)	Copper, unwrought	Nil	30%	(+) 1485
5.	67 (3)	Lead ingots, pigs and scrap	Nil	40%	(+) 320
6.	68 (1)	Zinc, unwrought	Nil	40%	(+) 380
7.	72	Agricultural tractor and parts	Nil	30%	(+) 450
8.	72A	Machinery required for initial setting up of projects or for substantial expansion of existing projects	27½%	30%	(+) 300
9.	75 (9), (10), (11), (12) etc.	Motor vehicle parts	60% (Standard), 52½% (UK)	100% (Standard), 92½% (UK)	(+) 660
10.	Various	Others	Generally 27½%, 35%, 50% and 60%	40%, 60%, 100%	(+) 1090
	Total additional revenue in a full year				(+) 6740
	Loss on account of reduction in duty on machinery in general and certain other articles from 35% to 30%.		(—) 729		
	Loss on account of new GATT concessions		(—) 11		(—) 740
	Net additioal revenue in a full year				(—) 6000

TABLE II

Serial No.	Item(s) in the Import Schedule to the Indian Tariff Act	Brief description of goods	Additional revenue expected (+) per annum (Rs lakhs)
(1)	(2)	(3)	(4)
1.	27 (6)	Motor Spirit	(+) 100
2.	72	Agricultural tractors	(+) 200
3.	Various	Others	(+) 100
		TOTAL	(+) 400

CENTRAL EXCISE

S. No.	Tariff Item No.	Commodity	Unit	Rate of duty (Basic) Existing	Rate of duty (Basic) Proposed	Estimated addl. revenue in one full year
1	2	3	4	5	6	7
						(Rs lakhs).
		A—Changes Proposed by Bill				
1.	IE	Glucose and dextrose	The tariff description is proposed to be amended to include "preparation" also.			12
2.	IF	Maida (produced in roller flour mills)	Kilogram	..	10 paise	1092
			This new levy has been proposed as a revenue measure. The centre's share of the revenue realisation will be utilised to meet the cost of the programme for children's health and nutrition.			
3.	6	Motor spirit	Kilolitre	Rs 720.00	Rs 920 00	4825
		Effective rates of duty				
		(i) Motor spirit	Kilolitre	Rs 720.00	Rs 920.00	4320
		(ii) Certain special boiling point spirits	Kilolitre	Rs 45.00	Rs 845.00	505
						4825
			While the increase in duty on motor spirit is a revenue measure, the increase in duty on certain boiling point spirits is to ensure parity in the selling price of such spirits with that of motor spirit so that incentive for using such S.B.P. spirits for adulteration of motor spirit to avoid the higher duty incidence is taken away.			
4.	11A	Petroleum products, not otherwise specified.				110
		(1) Mineral turpentine oil		20% *ad valorem*	20% *ad valorem* plus Rs 100.00 per metric tonne.	
		(2) Liquefied petroleum gas (L.P.G.)		20% *ad valorem*	Rs 250.00 per metric tonne.	
		(3) Others		20% *ad valorem*	20% *ad valorem*	
			The increase in (1) is to take away the incentive for adulteration of kerosene with mineral turpentine oil. The increase in (2) is a revenue measure. There is no change in the rate of duty against (3).			
5.	11B	Compounded lubricating oils and greases		..	20% *ad valorem*	900
6.	11C	Calcined petroleum coke		..	20% *ad valorem*	40
			These new levies have been proposed as a revenue measure.			
7.	14AA	Chemicals namely—				65
		1) 2) 3) As existing				
		4) Bicarbonate of soda			10% *ad valorem*	
		5) Bichromates of potassium or sodium			10% *ad valorem*	
		6) Hydrogen peroxide			10% *ad valorem*	
		7) Potassium permanganate.			10% *ad valorem*	
			The new items at S. No. 4 to 7 above are proposed to be levied to excise duty as a revenue measure.			

1	2	3	4	5	6	7
						(Rs lakhs)
8.	14F	Cosmetics and toilet preparations. (Tariff description amended to include lipsticks, perfumed hair oils and shampoos).		25% *ad valorem*	25% *ad valorem*	102
		Effective rates of duty				
		(i) Preparations for the care of the skin, etc. including lipsticks.		25% *ad valorem*	25% *ad valorem*	
		(ii) Preparations for the care of the hair—				
		(a) Hair lotions, creams and pomades.		25% *ad valorem*	No change	
		(b) Perfumed hair oils.		..	10% *ad valorem*	
		(c) Shampoos		..	20% *ad valorem*	
			Note —The existing special excise duty of 20% of the basic duty continues. It is a revenue measure. Relief in duty has been provided for smaller manufacturers of lipsticks, perfumed hair oils and shampoos.			
9.	15.1	Soap (produced with the aid of power)				162
		(1) Household and laundry soap		6.5% *ad valorem*	No change	
		(2) Other sorts		9.5% *ad valorem*	12.5% *ad valorem*	
			Note:—The existing special excise duty of 20% of basic duty continues. It is a revenue measure. The increase in duty will not affect household and laundry soap. 2. It is also proposed to grant relief (by notification) in duty on soapusing specified percentage of Neem, Karanj, Kusum and Sal oils in manufacture, with a view to encourage the use of such minor oils in soap manufacture and to reduce the pressure on usage of imported tallow and oils.			
10.	15A	Plastics, all sorts (a) Tariff description amended to increase the basic rate of duty to 40% *ad valorem* on— (i) polyurethane foam and (ii) articles made of polyurethane foam. (b) Basic duty on rigid plastic (excluding P.V.C.) boards, sheeting, sheets and films raised from 20% to 25% *ad valorem* (by notification). (c) Flexible P.V.C. sheets used in the further manufacture of leather cloth exempted (by notification). Note:—Existing special excise duty of 20% of basic duty continues. Proposals at (a) and (b) above are revenue measures. (c) is a measure of relief.				60
11.	16A	Rubber products				240
		(1) Latex foam sponge		20% *ad valorem*	40% *ad valorem*	
		(2) Unhardened plates, sheets etc. of rubber		20% *ad valorem*	25% *ad valorem*	
		Note—The existing special excise duty of 20% of the basic duty continues. It is a revenue measure.				

1	2	3	4	5	6	7
						(Rs lakhs)
12.	22C	Linoleum		..	20% *ad valorem*	34
13.	22D	Ready-made garments produced with the aid of power.		..	10% *ad valorem*	250
14.	22E	Typewriter and similar ribbons		..	10% *ad valorem*	10
			These new levies are proposed as a revenue measure. The levy on ready-made garments will (by notification) be confined only to those which are sold under a brand name or a registered trade mark; further relief has been provided (by notification) for smaller manufacturers of such ready-made garments. Only specified garments liable to duty.			
15.	23A	Glass and glassware—				250
		(1) Sheet glass and plate glass		10% *ad valorem*	15% *ad valorem*	
		(2) Other glassware including tableware		15% *ad valorem*	20% *ad valorem*	
			NOTE — The existing special excise duty of 20% of the basic duty on sheet and plate glass continues. It is a revenue measure.			
16.	23B	Chinaware and porcelainware, all sorts				125
		(1) Tableware		15% *ad valorem*	20% *ad valorem*	
		(2) Not otherwise specified		10% *ad valorem*	20% *ad valorem*	
			Note:— These items continue to be exempted from special excise duty. It is a revenue measure.			
17.	23D	Mosaic tiles (produced with the aid of power)		..	10% *ad valorem*	65
			This new levy has been proposed as a revenue measure. Relief has been provided (by notification) for smaller manufacturers.			
18.	27	Aluminium	A fresh sub-item is proposed to be inserted for "containers made of aluminium" for clarification and for removal of doubts. It has no revenue significance.			
19.	30B	Motor starters		..	10% *ad valorem*	75
			This new levy has been proposed as a revenue measure. Relief has been provided (by notification) for smaller manufacturers of these articles.			
20.	32	Electric lighting bulbs and Fluorescent lighting tubes				126
		(1) Vacuum and gas filled bulbs		11% *ad valorem*	20% *ad valorem*	
		(2) Fluorescent tubes		20% *ad valorem*	30% *ad valorem*	
		(3) Sodium and mercury vapour discharge lamps		6% *ad valorem*	10% *ad valorem*	
		(4) All sorts, not otherwise specified		16% *ad valorem*	25% *ad valorem*	
			It is a revenue measure. 2. All types of bulbs and flourescent tubes except bulbs of the type commercially known as "miniature lamps" are proposed to be exempted from special excise duty. 3. Vacuum and gas filled bulbs not exceeding 60 watts will continue to pay the same duty as at present (i.e. 11% *ad valorem*). 4. Miniature lamps will continue to pay duty at present concessional rates.			

1	2	3	4	5	7
					(Rs lakhs)
21.	33	Electric fan (tariff description amended to include industrial fans also).			84
		(2) Table, cabin etc. fans not exceeding 40.6 centimetres	—	No change	
		(2) Industrial fans	—	10% *ad valorem*	
		(3) Not otherwise specified.	8.5% *ad valorem*	10% *ad valorem*	
			Note —The existing special excise duty of 20% of basic duty continues. It is a revenue measure.		
22.	33E	Electricity supply meters	—	10% *ad valorem*	120
23.	34A	Motor vehicle parts and accessories	—	10% *ad valorem*	160
24.	34B	Fork lift trucks and platform trucks	—	10% *ad valorem*	40
25.	37B	Cinematograph projectors	—	20% *ad valorem*	24
26.	37C	Photographic cameras	—	20% *ad valorem*	18
			These new levies have been proposed as a revenue measure. The levy on motor vehicle parts will for the present be confined (by notification) to certain specified items; those when intended for use as original equipment will not have to bear this duty.		
27.	41	Crown corks	Per piece One paisa	Two paisa	160
28.	42	Pilfer proof caps	Per piece One paisa	Two paise	65
			It is a revenue measure.		
29.	44	Sparking plug	Sparking plug		(—)15
			This item is being deleted from this entry as it would henceforth fall under the new Tariff Item No. 34A and will continue to pay the same duty under the new item read with the relevant notification.		
30.	46	Metal containers			—
			The change in the tariff description is for the purpose of clarifying its scope and is in line with the change made in Tariff Item 27.		
31.	49	Rolling bearings	—	10% *ad valorem*	220
32.	50	Welding electrodes	—	10% *ad valorem*	90
33.	51	Coated abrasives and grinding wheels (produced with the aid of power)	—	10% *ad valorem*	83
34.	52	Bolts and nuts and screw (produced with the aid of power)	—	10% *ad valorem*	250
35.	53	Zip or slide fasteners	—		20
		(1) complete	—	20% *ad valorem*	
		(2) parts thereof	—	25% *ad valorem*	
36.	54	Pressure cookers	—	20% *ad valorem*	60
37.	55	Vacuum flasks, etc.	—		44
		(1) complete	—	15% *ad valorem*	
		(2) parts thereof	—	20% *ad valorem*	
38.	56	Playing cards	—	20% *ad valorem*	45
39.	57	Camphor	—	10% *ad valorem*	21
40.	58	Menthol	—	10% *ad valorem*	15
41.	59	Electric insulation tapes (produced with the aid of power)	—	10% *ad valorem*	10
42.	60	Adhesive tapes, not otherwise specified (produced with the aid of power)	—	10% *ad valorem*	15
			These new levies have been proposed as a revenue measure. Relief has been provided (by notification) for smaller manufacturers of rolling bearings, welding electrodes, bolts and nuts and screws, zip or slide fasteners and playing cards.		

B—ADDITIONAL EXCISE DUTY IN LIEU OF SALES TAX

S. No.	Tariff item No.	Commodity	Unit	Rate of duty (Basic) Existing	Rate of duty (Basic) Proposed	Estimated addl. revenue in one full year
1	2	3	4	5	6	7
						(Rs lakhs)
1.	AII(2)	Cigarettes		25% *ad valorem*	75% *ad valorem*	3948

Effective rates of duty

Value per 1000

	Exceeds	Does not exceed	Basic	Special	Additional	Basic	Special	Additional
	Rs	Rs						
(i)	40	--	125%	25%	24%	140%	28%	70%
(ii)	30	40				135%	27%	60%
(iii)	25	30				95%	19%	30%
(iv)	20	25	80%	16%	15%	90%	18%	25%
	10	20						
(v)	—	10*	42.5%	8.5%	5%	60%	12%	10%

*Note — The existing limit of Rs 9.50 is being raised to Rs 10 00)

The proposal is to re-group cigarettes for the purpos of assessment to duty into five groups as against the present three groups.

It is a measure to raise additional revenue partly for the state in pursuance of the decision at the National Development Council and partly for the centre.

S. No.	Tariff item No.	Commodity	Unit	Existing	Proposed	Estimated addl. revenue
2.	19.1(2)	Cotton fabrics Others				580
				Paise	Paise	
		(a) Superfine	Sq. metre	15.5	25.0	
		(b) Fine	,,	9.6	15.0	
		(c) Medium-A	,,	4.8	6.0	
		(d) Medium-B	,,	4.8	6.0	
		(e) Coarse	,,	3.6	4.0	
		(f) Cotton fabrics, not otherwise specified	,,	15.5	25 0	

Effective rates of duty

Commodity	Unit	Existing	Proposed
(1) cotton fabrics			
(a) Superfine	Sq. metre	15.5	25 0
(b) Fine	,,	9.6	15.0
(c) Medium-A	,,	4.8	6.0
(d) Medium-B	,,	4.8	6.0
(e) Coarse	,,	3.6	4.0
(f) Cotton fabrics, not otherwise specified.	,,	15.5	25.0
(2) Malimo type and non-woven bonded fabrics	,,	7.2	8.0
(3) Fents			
(i) Superfine	Kilogram	22.0	40 0
(ii) Fine	,,	22.0	30.0
(iii) Medium-A	,,	4.4	5.0
(iv) Medium-B	,,	4.4	5.0
(v) Coarse	,,	4.4	5.0
(vi) Malimo type and non-woven bonded fabrics.	,,	4.4	5.0

It is a measure to raise additional revenue for the states in pursuance of the decision at the National Development Council.

(Notes: — For changes by Notification, Sl. No. 9, Part D may be seen.)

C—ADDITIONAL DUTIES OF EXCISE AND CUSTOMS ON MINERAL PRODUCTS

S. No.	Tariff item No.	Commodity	Unit	Rate of duty (Basic) Existing	Proposed	Estimated addl. revenue in one full year
1	2	3	4	5	6	7
						(Rs lakhs)
	8	Refined diesel oils and vaporizing oil	Kilolitre	is 400.00 (ceiling rate)	Rs 500.00 (ceiling rate)	—
		Note:—No change in the present effective rates of additional excise duty.				
		It is proposed to increase the ceiling rate to provide an adequate cushion for mopping up any price reductions and cost and freight accumulations as and when they occur. It has no immediate revenue significance as there is no change in the present effective rate of additional excise duty which is fixed by notification.				

D—CHANGES PROPOSED BY NOTIFICATIONS

S. No.	Tariff item No.	Commodity	Unit	Existing	Proposed	Estimated addl. revenue in one full year
1.	1B	Prepared or preserved foods		10% *ad valorem*	10% *ad valorem*	12
			The notification specifying the excisable items has been amplified to include bottled or canned and dehydrated (packed in cans or foil packets) vegetables.			
2.	13	Vegetable product				(—)33
			It is proposed to increase the present quantum of relief in duty for vegetable products using a minimum specified percentage of cottonseed oil in its manufacture. The same concession is being extended to vegetable products when rice-bran oil is used in its manufacture. This proposal is intended to encourage the use of these oils in the manufacture of vegetable product in substitution of other edible oils.			
3.	14BB	Sodium silicate		25% *ad valorem*	15% *ad valorem*	(—) 84
			It is a measure of relief to the sodium silicate industry.			
4.	14H	Gases				190
			It is proposed to withdraw the exemption from duty hitherto granted to oxygen, chlorine, ammonia and refrigerant gases. Ammonia gas used in fertilisers and oxygen for medicinal use is however proposed to be exempted. Certain other uses of oxygen, chlorine and ammonia will-also get the benefit of exemptions.			
5.	15AA	Surface active agents		10% *ad valorem*	10% *ad valorem*	130
	Effective rates of duty					
		Surface active agents		25 paise per kilogram	10% *ad valorem*	
			It is a revenue measure.			
6.	18 18A	Rayon and synthetic fibre and yarn and Cotton yarn				62
			It is proposed to withdraw the present concession in duty to staple fibre of cellulosic origin of 1.5 denier and above used in spinning of yarn in admixture with cotton.			
7.	18B	Woollen yarn, all sorts, including knitting wool				120
		(1) Worsted yarn—				
		(a) of 48s and more		20% *ad valorem*	20% *ad valorem*	
		(b) of less than 48s		15% *ad valorem*	15% *ad valorem*	
		(2) Other		7½% *ad valorem*	7½% *ad valorem*	

1	2	3	4	5	6	7
						(Rs lakhs)

Effective rates of duty

	Rs per kilogram	Tariff Value (Rs per kilogram)	Rate (*ad valorem*)
Woollen yarn			
(1) Worsted yarn			
(*a*) hand-knitting			
(*i*) Grey	0.60	27.50	3.5%
(*ii*) Processed and/or dyed	2.40	55.00	9.5%
(*b*) Hair belting yarn	0.60	27.50	2.0%
(*c*) Others			
(*i*) of 48s and above	7.50	56.50	14.5%
(*ii*) of above 24s but below 48s	3.15	46.50	8.5%
(*iii*) of 24s and below	0.60	27.50	3.5%
(2) Shoddy yarn	0.40	7.50	5.5%
(3) Yarn made from tannery wool or stripped wool	0.40	7.50	5.5%
(4) All others	0.60	13.50	7.5%

It is a revenue measure.
Special excise duty at 33⅓% of basic duty will continue to be chargeable.

1	2	3	7
8.	19	Cotton fabrics produced by powerlooms	(—)47

compunded rates of duty (by notification)

Where powerlooms installed-are		If the duty is paid		If the duty is paid	
more than	not more than	Per Qr.	Per year	Per Qr.	Per year
		(In rupees per powerloom installed)			
—	4	13	50	2.50	10
4	24	40	150	20	75
24	49	80	300	40	150

Relief is being given in the compounded levy specially to the smaller units which have not more than four looms installed.

1	2	3	4–6	7
9.	19	Cotton fabric		30
		Processing done without power or steam (by notification)	Concession available to processing done without the aid of power or steam is being rationalised.	
10.		Embroidery, in the piece, in strips, or in motifs etc.		
	(a) 19II	Cotton		(—)5
	(b) 20(2)	Silk		—
	(c) 21(2)	Woollen		—
	(d) 22(2)	Rayon or artificial silk		(—)15

(i) Effective rate reduced to 5% ad valorem.
(i) Tariff values wherever applicable have been withdrawn.
(iii) Compounded rates of duty based on metre-basis wherever applicable, have been reduced.

1	2	3	5	6	7
11.	23	Cement	21% *ad valorem*	21% *ad valorem*	48
		Effective rates of duty			
		Cement	19.8% *ad valorem*	20% *ad valorem*	

The rate has been suitably rounded off.
Special excise duty at 20% of basic duty will continue to be chargeable.

1	2	3	4	5	6	7
						(Rs lakhs)
12.	29A	Evaporative type coolers		40% ad valorem	40% ad valorem	20
Effective rate of duty						
		Evaporative type coolers		Nil	25% ad valorem	

It is proposed to withdraw the exemption in respect of evaporative type coolers and subject them to 25% ad valorem. They will, however, be exempted from special excise duty.

1	2	3	4	5	6	7
13.	33B	Electric wires and cable				150

It is proposed to withdraw the existing concesssion in duty on copper contents of certain types of electric wires and cables to induce economy in the use of copper.

1	2	3	4	5	6	7
14.	34(3a)	Tractors, including agricultural tractor		10% ad valorem	10% ad valorem	400
Effective rates of dutys						
		Tractors including agricultural tractor				
		(*i*) of Draw Bar Horse Power 50 and below		—	10% ad valorem	
		(ii) of Draw Bar Horse Power exceeding 50		—	—	
		(a) for agricultural purposes		—	10% ad valorem	
		(b) others		10 *ad valorem*	10% *ad valorem*	

Note—While tractors covered under (i) and (ii) (a) above will continue to be exempted from special excise duty, those covered under ii (b) will continue to pay special excise duty as at present.

It is a revenue measure.

1	2	3	4	5	6	7
15.	43	Wool tops	Kilogram	Rs 5.00	Rs 5.00	110
Effective rate of duty						
		Wool tops	Kilogram	Rs 2.45	Rs 3.55	

A quantum of the duty incidence which would otherwise have been by woollen yarn has been transferred to wool tops.

ABSTRACT—CENTRAL EXCISE

(Rs lakhs)

S. No.	Tariff Item No.	Commodity	Estimated additional revenue in one full year							
			Basic excise duty		Special excise duty		Additional excise duty in lieu of sales tax		Total	
			(+)	(—)	(+)	(—)	(+)	(—)	(+)	(—)
		I. Existing Items								
1.	1B	Prepared or preserved foods	12	—	—	—	—	—	12	—
2.	1E	Glucose and dextrose	12	—	—	—	—	—	12	—
3.	4II(2)	Cigarettes	1665	—	333	—	1950	—	3948	—
4.	6	Motor spirit	4825	—	—	—	—	—	4825	—
5.	11A	Petroleum products not otherwise specified	110	—	—	—	—	—	110	—
6.	13	Vegetable products	—	33	—	—	—	—	—	33
7.	14AA	Chemicals	65	—	—	—	—	—	65	—
8.	14BB	Sodium silicate	—	84	—	—	—	—	—	84
9.	14F	Cosmetics	85	—	17	—	—	—	102	—
10.	14H	Gases	190	—	—	—	—	—	190	—
11.	15I	Soap	135	—	27	—	—	—	162	—
12.	15A	Plastics	50	—	10	—	—	—	60	—
13.	15AA	Surface active agents	130	—	—	—	—	—	130	—
14.	16A	Rubber products	200	—	40	—	—	—	240	—
15.	18A	Cotton yarn	62	—	—	—	—	—	62	—
16.	18B	Woollen yarn	90	—	30	—	—	—	120	—
17.	19	Cotton fabrics	—	22	—	—	580	—	558	—

(*Contd.*)

ABSTRACT—CENTRAL EXCISE —(Contd.)

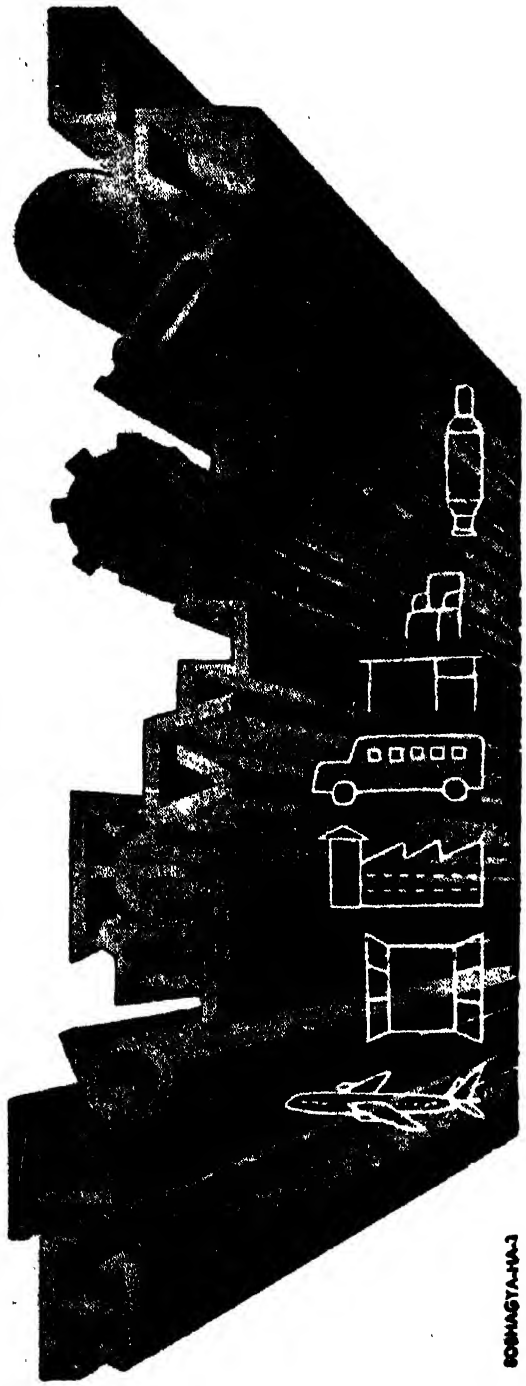
(Rs. lakhs)

S. No.	Tariff item No.	Commodity	Estimated additional revenue in one full year							
			Basic excise duty		Special excise duty		Additional excise duty in lieu of sales tax		Total	
			(+)	(—)	(+)	(—)	(+)	(—)	(+)	(—)
18.	22(2)	Art silk fabrics	—	15	—	—	—	—	—	15
19.	23	Cement	40	—	8	—	—	—	48	—
20.	23A	Glass and glassware	240	—	10	—	—	—	250	—
21.	23B	Chinaware	125	—	—	—	—	—	125	—
22.	29A	Evaporative type coolers	20	—	—	—	—	—	20	—
23.	32	Electric bulbs	158	—	—	32	—	—	126	—
24.	33	Electric fans	70	—	14	—	—	—	84	—
25.	33B	Electric wires and cables	150	—	—	—	—	—	150	—
26.	34	Motor vehicles	400	—	—	—	—	—	400	—
27.	41	Crown corks	160	—	—	—	—	—	160	—
28.	42	Pilfer proof caps	65	—	—	—	—	—	65	—
29.	43	Wool tops	110	—	—	—	—	—	110	—
30.	44	Sparking plugs	—	15	—	—	—	—	—	15
		II. New Items								
1.	1F	Maida	1092	—	—	—	—	—	1092	—
2.	11B	Compounded lubricating oils & greases	900	—	—	—	—	—	900	—
3.	11C	Calcined petroleum coke	40	—	—	—	—	—	40	—
4.	22C	Linoleum	34	—	—	—	—	—	34	—
5.	22D	Ready-made garments	250	—	—	—	—	—	250	—
6	22E	Typewriter ribbons	10	—	—	—	—	—	10	—
7.	23D	Mosaic tiles	65	—	—	—	—	—	65	—
8.	30B	Motor starters	75	—	—	—	—	—	75	—
9.	33E	Electricity supply meters	120	—	—	—	—	—	120	—
10.	34A	Motor vehicle parts and accessories	160	—	—	—	—	—	160	—
11.	34B	Fork lift trucks and platform trucks	40	—	—	—	—	—	40	—
12.	37B	Cinematograph projectors	24	—	—	—	—	—	24	—
13.	37C	Photographic cameras	18	—	—	—	—	—	18	—
14.	49	Rolling bearings	220	—	—	—	—	—	220	—
15.	50	Welding electrodes	90	—	—	—	—	—	90	—
16.	51	Coated abrasives and grinding wheels	83	—	—	—	—	—	83	—
17.	52	Bolts and nuts and screws	250	—	—	—	—	—	250	—
18.	53	Slide/zip fasteners	20	—	—	—	—	—	20	—
19.	54	Pressure cookers	60	—	—	—	—	—	60	—
20.	55	Vacuum flasks	44	—	—	—	—	—	44	—
21.	56	Playing cards	45	—	—	—	—	—	45	—
22.	57	Camphor	21	—	—	—	—	—	21	—
23.	58	Menthol	15	—	—	—	—	—	15	—
24.	59	Electric insulation tapes	10	—	—	—	—	—	10	—
25.	60	Adhesive tapes, n.o.s.	15	—	—	—	—	—	15	—
		Total	12870	169		489	32	2530	15835	147

SUMMARY

(Rs in lakhs)

	States' share	Centre's share	Total
(a) Basic excise duty	2564	10137	12701
(b) Special excise duty	—	457	457
(c) Additional excise duty in lieu of sales tax	2494	36	2530
For one full year	5058	10630	16588
For the remaining part of 1971-72	4257	8937	13194



FOREIGN TRAVEL TAX

Chapter VII of the Finance Bill contains enabling provisions for levy of a tax on foreign travel by air or by sea. The salient points of the contemplated taxation measure which will come into force from a date to be notified after the Bill is enacted, are set out below.

(*i*) The statutory rate will be 20% *ad valorem* on the fare paid in rupees whether the tickets be one way or return. The definitions in Clause 44 and the charging provision in Clause 45 of the Bill have been drafted with this aim in view. Further journeys abroad from the initial point to which the ticket has been purchased would also bear the tax if the tickets for such further journeys are paid for in rupees. By restricting the levy to purchases to tickets made only in rupees, foreign tourists, Indians domiciled abroad and other persons holding tickets purchased in foreign currency would automatically be kept outside the scope of the present levy.

(*ii*) The liability to payment of tax has been fixed on the carrier. Agents or representatives who book tickets on behalf of airlines operating in the country, or airlines not operating in the country or agents acting on their behalf who book tickets for international passengers which are paid for in Indian currency, would have to ensure that the tax is collected from the passenger and credited to government through the carrier for whom they may be acting as agents or representatives.

(*iii*) Clause 46 of the Bill provides for any class or classes of passengers or any category or categories of passengers belonging to a particular class being exempted from the levy or enabled to pay at a rate that might be decided upon by the government. It also provides for relief in deserving individual cases.

(*iv*) The intention is to exempt students who go abroad for studies or technical courses whether foreign exchange is released for them by the Reserve Bank or they do not ask for foreign exchange but are otherwise eligible for it, as well as scientists going abroad for attending scientific conferences.

(*v*) Provision will be made by the issue of appropriate notifications and rules in relation to airlines offering concessional fares or undertaking group bookings at concessional rates or charter flights.

(*vi*) All these and other details of procedural controls will need detailed formulation and when decided can be given effect by the central government in exercise of the rule-making provisions contained in the Bill. The rules will also provide for appellate remedies, refunds of excess levies, recovery of short levies and penalties to be imposed for contraventions.

(*vii*) There is also a provision for laying the rules and notifications made under the provisions before both Houses of Parliament.

(*viii*) The authority for administering the tax by way of regulations in the matter of procedure and in pursuance of the rules made by the central government, would be the Central Board of Excise and Customs.

(*ix*) The estimated yield from this is expected to be about Rs 7.00 crores in the current year.

ANNEXURE A

STATEMENT SHOWING IN SELECTED CASES TAX (INCLUDING SURCHARGE) PAYABLE AND AS A PERCENTAGE OF TOTAL INCOME, ON TOTAL INCOMES RANGING FROM Rs 5,000 TO Rs 10,00,000

(Assessment year : 1971-72)

Income	Tax Amount	Tax Percentage
Rs	Rs	
5,000	—	—
6,000	110	1.83
7,000	220	3.14
8,000	330	4.12
9,000	440	4.89
10,000	550	5.50
12,000	924	7.70
14,000	1,298	9.27
15,000	1,485	9.90
16,000	1,738	10.86
18,000	2,244	12.47
20,000	2,750	13.75
24,000	4,070	16.96
25,000	4,400	17.60
30,000	6,600	22.00
36,000	9,900	27.50
42,000	13,420	31.95
48,000	17,380	36.21
60,000	25,300	42.17
72,000	34,540	47.97
90,000	48,950	54.39
1,00,000	57,200	57.20
5,00,000	4,25,700	85.14
10,00,000	8,93,200	89.32

ANNEXURE B

INCOME TAX PAYABLE IN THE CASE OF AN INDIVIDUAL, HINDU UNDIVIDED FAMILY, UNREGISTERED FIRM, ASSOCIATION OF PERSONS Etc., AT THE RATES PROPOSED IN THE BILL FOR COMPUTATION OF ADVANCE TAX AND DEDUCTION OF TAX AT SOURCE FROM "SALARIES" DURING THE FINANCIAL YEAR 1971-72.

A. **Basic Income Tax** (i.e. exclusive of surcharge)

Total Income	Tax	For calculating tax at intermediate levels of income
Rs	Rs	
6,000	100	
7,000	200	For every additional Rs 10 of income, **Add** Rs 1.00 to the tax.
8,000	300	
9,000	400	
10,000	500	
10,000	500	
11,000	670	For every additional Rs 10 of income, **Add** Rs 1.70 to the tax.
12,000	840	
13,000	1,010	
14,000	1,180	
15,000	1,350	

(*Contd.*)

ANNEXURE B—(*Contd.*)

Total Income	Tax	For calculating tax at intermediate levels of income
Rs	Rs	
15,000	1,350	
16,000	1,580	For every additional
17,000	1,810	Rs 10 of income, **Add**
18,000	2,040	Rs 2 30 to the tax.
19,000	2,270	
20,000	2,500	
20,000	2,500	
21,000	2,800	For every additional
22,000	3,100	Rs 10 of income, **Add**
23,000	3,400	Rs 3.00 to the tax.
24,000	3,700	
25,000	4,000	
25,000	4,000	
26,000	4,400	For every additional
27,000	4,800	Rs 10 of income, **Add**
28,000	5,200	Rs 4 00 to the tax.
29,000	5,600	
30,000	6,000	
30,000	6,000	
31,000	6,500	
32,000	7,000	
33,000	7,500	
34,000	8,000	
35,000	8,500	For every additional
36,000	9,000	Rs 10 of income, **Add**
37,000	9.500	Rs 5 00 to the tax.
38,000	10,000	
39,000	10,500	
40,000	11,000	
40,000	11,000	
41,000	11,600	
42,000	12,200	
43,000	12,800	
44,000	13,400	
45,000	14,000	
46,000	14,600	
47,000	15,200	
48,000	15,800	
49,000	16,400	
50,000	17,000	For every additional
51,000	17,600	Rs 10 of income, **Add**
52,000	18,200	Rs 6 00 to the tax
53,000	18,800	
54,000	19,400	
55,000	20,000	
56,000	20,600	
57,000	21,200	
58,000	21,800	
59,000	22,400	
60,000	23,000	
60,000	23,000	
61,000	23,700	
62,000	24,400	
63,000	25,100	
64,000	25,800	For every additional
65,000	26,500	Rs 10 of income, **Add**
66,000	27,200	Rs 7 00 to the tax.
67,000	27,900	
68,000	28,600	
69,000	29,300	
70,000	30,000	

ANNEXURE B—(*Contd.*)

Total Income	Tax	For calculating tax at intermediate levels of income
Rs	Rs	
71,000	30,700	
72,000	31,400	
73,000	32,100	For every additional
74,000	32,800	Rs 10 of income, **Add**
75,000	33,500	Rs 7.00 to the tax.
76,000	34,200	
77,000	34,900	
78,000	35,600	
79,000	36,300	
80,000	37,000	
80,000	37,000	For every additional
90,000	44,500	Rs 10 of income, **Add**
1,00,000	52,000	Rs 7.50 to the tax.
1,00,000	52,000	For every additional
1,50,000	92,000	Rs 10 of income, **Add**
2,00,000	1,32,000	Rs 8.00 to the tax.
2,00,000	1,32,000	
3,00,000	2,17,000	
4,00,000	3,02,000	
5,00,000	3,87,000	
6,00,000	4,72,000	
7,00,000	5,57,000	
8,00,000	6,42,000	
9,00,000	7,27,000	
10,00,000	8,12,000	
11,00,000	8,97,000	For every additional
12,00,000	9,82,000	Rs 10 of income, **Add**
13,00,000	10,67,000	Rs 8.50 to the tax.
14,00,000	11,52,000	
15,000,00	12,37,000	
16,00,000	13,22,000	
17,00,000	14,07,000	
18,00,000	14,92,000	
19,00,000	15,77,000	
20,00,000	16,62,000	

B. Surcharge :

To the income tax calculated as stated above, Add by way of surcharge the following percentage thereof :—

(*i*) in a case where the total income does not exceed Rs 15,000 — 10

(*ii*) in any other case — 15

[In cases where the total income exceeds Rs 15,000 by a small amount, the surcharge is limited to :—

(*a*) Rs. 135 (which would be the surcharge at the rate of 10 per cent on the tax on a total income of Rs 15,000) **plus**

(*b*) 40 per cent of the amount by which the total income exceeds Rs 15,000.)

C. Example of Tax Calculation :

Income		.7,560
A. Basic income tax :		
On Rs 27,000		Rs 4
On Rs 560..	56 X 4	Rs 4
Rs 27,560		Rs 5,024
B. Add surcharge @ 15% of the basic income-tax		Rs 75` 60
Tax payable		Rs 5,777 60
(rounded off to the nearest rupee)		Rs 5,778.00

Proposed Revision of Postal, Telegraph and Telephone Tariffs

SECTION I
POSTAL (INLAND)

Item	Existing Tariff		Proposed Tariff	
1. Parcels	Per 400 grams	90 P	Per 400 grams	Rs 1 00
2. *Registration Fee		95 P		Re 1 00

*The proposed tariff will apply to registered articles in the foreign post also

SECTION I—Estimated additional revenue in a year—Rs. 1 76 crores.

SECTION II
TELEGRAPHS

Item	Existing Tariff			Proposed Tariff		
		Ordinary Rs	Express Rs		Ordinary Rs	Express Rs
1. Non-Press Inland Telegraphs	First 8 words	1 20	2 40	First 8 words	1 20	2 40
	Each additional word	0 10	0 20	Each additional word	0 15	0 30
2 *Special Delivery Instructions*						
(a) Charge for registration of Special Delivery Instructions	Rs 5 00 per annum			Rs 25.00 per annum		
(b) Change in Special Delivery Instructions during the year	Re 1 00 for each change			Rs 10 00 for each change		
3. Teleprinter (T/P) machine and Telex service within the local area						
(i) Rental for Teleprinter (T/P) machine	Rs 1800 00 aper annum			Rs 2000 00 per annum		
(ii) Rental for a Telex subscriber's line inclusive of rent for the terminal Teleprinter machine	Rs 1800 00 per annum			Rs 2000.00 per annum		
(iii) Rental for a Telex subscriber's line when the Teleprinter machine is provided by the subscriber himself	Rs 280 00 per annum			Rs 450 00 per annum		

SECTION II—Estimated additional revenue in a year—Rs 3.11 crores

SECTION III
TELEPHONES

Item	Existing Tariff		Proposed Tariff	
1 Rental for Direct Exchange Lines within the local area				
(A) Measured Rate Systems				
(i) Calcutta, Bombay, Madras and Delhi.	Rs 90 00 per quarter		(i) Exchange Systems of 10,000 lines capacity and above	Rs 100 00 per quarter
(ii) All other measured Rate Exchanges	Rs 75 00 per quarter		(ii) Exchange systems of less than 10,000 lines capacity	Rs 80 00 per quarter
(B) Flat Rate System				
Exchanges of 100 lines and above capacity providing 24 hours service	Rs 340 00 per annum or Rs 30 00 per month		Rs 400 00 per annum or Rs 35 00 per month	
	Period	Rental	Period	Rental
2. Casual Telephone connections				
(i) Measured Rate Systems	1 to 10 days	Rs 30 0	1 to 10 days	Rs 60 00
	11 to 30 days	Rs 60 00	11 to 30 days	Rs 120 00
	31 to 60 days	Rs 120 00	31 to 60 days	Rs 180 00
(ii) Flat Rate Systems	Rs 3.00 per day subject to a minimum of Rs 30 00		Rs 10 00 per day subject a minimum of Rs 50 00	

Item	Existing Tariff		Proposed Tariff			
3. **Measured Rate System** Call Charge	First 150 calls per quarter	No charges (covered by quarterly rent)	First 250 calls per quarter	No charges (covered by quatrterly rent)		
	Next 600 calls per quarter	15 P per call	Thereafter	20 P per call		
	For each call in excess of 750 calls per quarter	20 P per call				
			Capacity of Exchange System			
	Bombay, Delhi, Calcutta and Madras	All other Exchanges	10,000 lines and above	1,000 lines and above but below 10,000 lines	300 lines and above but below 1000 line	Below' 300 lines
4. OYT Scheme						
(a) Initial payment	Rs 3,000	Rs 2,500	Rs 3,000	Rs 2,500	Rs 2,000	Rs 1,000
*(b) Initial period during which a reduction in rental is admissible	20 years	20 years	20 years	20 years	15 years	10 years
(c) Rebate in rental						
(i) on rentals paid annually	Rs 144	Rs 120	Rs 144	Rs 120	Rs 128	Rs 96
(ii) on rentals paid quarterly	Rs 36	Rs 30	Rs 36	Rs 30	Rs 32	Rs 24
(iii) on rentals paid monthly	—	Rs 10	—	—	Rs 10	Rs 8
5. Concessional Tariffs for Trunk calls	Classes for call					
	Ordinary and SVH	Urgent				
Tariffs for Trunk calls on Telegraph holidays	50 per cent of normal full rate	75 per cent of normal full rate	No concession except on three national holidays and usual concession on Sundays and between 7.00 PM to 8.00 AM			
6. (a) Private Manual Exchanges and Private Manual Branch Exchange						
Size of Board	Annual rental		Annual rental			
1+3	Rs 200.00		Rs 250.00			
2+6	Rs 350.00		Rs 450.00			
3+9	Rs 500.00		Rs 625.00			
5+20	Rs 40.00 per equipped termination on the switch board		Rs 50.00 per equipped termination on the switch board			
10+50	-do-		-do-			
20+100 (Private Manual Branch Exchange only)	-do-		-do-			
6(b) (i) Private Automatic Branch exchanges upto 100 lines (non-extendable) except 5 lines and 9 lines PABX's*	Rs 60.00 per equipped termination on the switch board		Rs 75 00 per equipped termination on the switch board			
(ii) 5 line Private Automatic Branch exchange (inclusive of the rental for all the 5 internal connections	Rs 600.00		Rs 750.00			
(iii) 9 line Private Automatic Branch exchange (inclusive of the rental for all the 9 internal connections)	Rs 1200.00		Rs 1500.00			
7. Additional entries in Telephone Directories.	Rs 4.00 per additional entry		Rs 10.00 per additional entry			

*For all Private Automatic exchanges, and extendable Private Automatic Branch Exchanges, rentals will be charged as proposed in 6(b)(i) for private automatic branch exchanges (non-extendable) or on capital cost basis, whichever is higher.

SECTION III—Estimated additional revenue in a year—Rs 5.97 crore

Summary of Estimated Additional Revenue in a Year

Section I—Postal Tariff	Rs 1.76 crore
Section II—Telegraph Tariffs	Rs 3.11 crore
Section III—Telephone Tariffs	Rs 5.97 crore
TOTAL	Rs 10.84 crore

Economic Survey : 1970-71

THE ANNUAL growth of national income envisaged in the fourth five-year Plan was attained in 1970-71, mainly due to a growth rate of over five per cent in the agricultural sector. Industrial output also registered an increase of about five per cent. This was stated in the Economic Survey for 1970-71 which was presented to Parliament on May 25 by the Finance Minister, Mr Y.B. Chavan. The other highlights of the survey were: food production of 105 to 106 million tonnes; increased utilisation of capacity in industrial units with a few exceptions; good performance by the corporate sector; display of strength in the balance of payments position, thanks to a remarkable recovery by exports after initial setbacks; and wiping out of India's short-term indebtedness to the International Monetary Fund.

There were, however, certain disturbing elements in the picture. While cereal production has been satisfactory, pulses and commercial crops, namely cotton, jute and oilseeds, continued to be short of requirements. Industrial production was also not as high as in the previous year because of the uneven performance of some of the major industries partly due to shortage of industrial raw materials and steel. On the price front, too, there was cause for serious concern. Excerpts from the survey are given below:—

The performance of the Indian economy in the year 1970-71 has been generally satisfactory. The growth of national income will, by and large, attain the level targeted for in the fourth Plan, mainly due to a rate of growth of over 5 per cent in the agricultural sector. Food production continued to rise for the fourth year in a row and stocks of foodgrains with the public agencies amounted to 5.8 million tonnes at the end of the year. Overall industrial output is likely to have grown by a little more than 5 per cent. Barring a few industries, the rate of utilisation of capacity is considerably higher than last year. Corporate performance has been good, and the stock market has displayed great confidence. The capital market has shown a vitality which it had lacked for some time. The balance of payments continues to display strength. Exports staged a remarkable recovery during the year after initial setbacks. The declining trend in food imports continues. India's short-term indebtedness to the IMF has been wiped out.

Reorientation of Nationalised Banks

The reorientation of the nationalised banking system towards meeting the credit needs of the hitherto neglected sectors was pursued vigorously during the year; there was an impressive increase in the funds advanced to these sectors. The task of extending banking facilities to unbanked areas, particularly in the rural sector, was further carried forward. Resource mobilisation by the centre has been commensurate with the targets set in the Plan.

Unalloyed satisfaction is not, however, permissible because of certain disturbing elements in the total picture. While cereal production has been impressive, the production of pulses has not shown the same response. The production of commercial crops such as cotton, jute and oilseeds continued to be short of requirements.

The growth in industrial production is not as high as during the previous year because of the uneven performance of some of the major industries. Traditional industries, like cotton textiles and jute, are not showing any great improvement. In steel, there has been a slight fall in production. Coal output too was lower during the year. The growth in industrial production was brought about by other industries, such as chemicals, engineering, certain types of machinery etc., whose rate of growth in general has not been higher than in the previous year. Excess capacity continues to exist in some machinery and transport equipment industries.

Prices have shown a continued tendency to rise. Although foodgrains production has increased, prices of foodgrains have not fallen steeply because of the price support extended by government through its procurement policy. On the other hand, the prices of commercial crops, particularly those of cotton and oilseeds, have shown a tendency to rise sharply due to supply shortage. The chain has been completed by an increase in the prices of manufactures based upon these raw materials and intermediates. Increased money supply, alongside with speculative activity, further aggrevated the situation. Over the year, the wholesale price index on the average was higher by nearly 5.6 per cent as compared to the previous year. Although steps were taken to arrange for larger imports of steel, cotton and vegetable oils, these could not arrive on time to augment domestic supplies. Monetary restraints had to be applied to curb demand.

Rise in Exports

Exports have risen in consonance with the Plan target despite an abnormal fall in the early months of the year. The high price of raw cotton came in the way of a faster growth of cotton textile exports. The shortage of steel affected the exports of iron and steel.

Imports have increased over the year. While food imports have shown a decline, non-food imports have increased, because of the growing needs of industry for raw materials, intermediates and components. Aid allocations have declined in 1970-71, but the burden of debt servicing has increased. Net aid available to finance imports has therefore gone down.

The progress of banking in the desired directions was quite satisfactory. The task of reconciling the expanded credit requirements of the new sectors with those of the older ones gave rise to occasional difficulties and there was, consequently, a sizeable expansion of total bank advances. Similarly, while the expansion of banking facilities in the unbanked areas was quite rapid, the spread of the banking habit and the increase in bank deposits were not commensurate with need.

The progress in agriculture, and particularly foodgrains production, has provided a satisfactory base for the economy, even though a great deal still needs to be done for raising the productivity of commercial crops, as also of rice and pulses. In industry, the supply constraint is partly derived from the shortage of raw materials. Lag in cotton and jute textile output has reflected the relative scarcity of the raw fibre; lag in steel output reflects in part the unsatisfactory state of industrial relations. In coal, inadequate movement by rail has contributed to a lower level of production. The steel shortage has affected the entire engineering industry.

Demand for food, cloth, oils, sugar, etc. appears to have been maintained. The demand for inventories has gone up. With increasing activity, in many industries the scale of inventories has risen to match increased production. In industries using scarce raw materials, there was a scramble to build up satisfactory inventory positions to ensure continuous production.

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Prices have shown a continued tendency to rise. Although foodgrains production has increased, prices of foodgrains have not fallen steeply because of the price support extended by government through its procurement policy. On the other hand, the prices of commercial crops, particularly those of cotton and oilseeds, have shown a tendency to rise sharply due to supply shortage. The chain has been completed by an increase in the prices of manufactures based upon these raw materials and intermediates. Increased money supply, alongside with speculative activity, further aggrevated the situation. Over the year, the wholesale price index on the average was higher by nearly 5.6 per cent as compared to the previous year. Although steps were taken to arrange for larger imports of steel, cotton and vegetable oils, these could not arrive on time to augment domestic supplies. Monetary restraints had to be applied to curb demand.

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The picture regarding investment demand is somewhat

complex. The investment outlays in the public sector have been less than what was budgeted for; but they still registered a significant increase over the previous year. Investment in industry has been higher, though not as high as targeted; but, investment by the railways has not revived. Private investment in agriculture seems to have been high, looking at the additional volume of credit which the banking sector has made available to agriculture, though a part may have gone to finance a growing volume of inputs like fertilizer, insecticides, etc. In industry replacements, additions and expansion appear to have been at a higher level, looking both at company reports and at the output of certain machinery industries and machine tools. Investment in new projects was moderate. The increased investment activity was certainly not general, but confined to certain chemical and engineering fields. Investment in small-scale industries appears to have risen sharply.

On the fiscal front, despite marked resource effort on the part of the centre, deficit financing could not be contained, since non-Plan expenditure has continued to rise, particularly in response to the grant of interim relief to government employees. Plan outlay, however, has fallen short once more, largely because of the failure of many projects to progress according to schedule. The finances of the states have continued to be in an unsatisfactory state, and overdrafts with the Reserve Bank of India remain heavy, even though special accommodation from the centre has been maintained on a large scale.

Employment in the organised sector, including in government, continued to expand in 1970-71. A crash programme for rural employment was announced during the year. Banks were increasingly involved in promoting schemes of self-employment. While faster economic growth will provide the main answer to the problem of unemployment and under-employment, attention needs also to be given to investment patterns and to the speedy implementation of specific schemes.

TABLE I

SELECTED ECONOMIC INDICATORS

	1966-67	1967-68	1968-69	1969-70	1970-71
	(Percentage	change	over	previous	year)
1	2	3	4	5	6
1. National Income at constant prices.	1.5*	9.3*	2.4*	5.3*	5.5**
2. Agricultural production	—1.1	22.4	—1.0	6.5	Above 5.0**
3. Foodgrains production	2.6	28.0	—1.1	5.8	5.5 to 6.5**
4. Industrial production	0.3	0.5	6.7	6.8	4.1†
5. Electricity generated	9.3	12.6	14.1	14.3	9.3†
6. Wholesale prices	13.9	11.6	—1.1	3.7	5.6
7. Money supply	8.3	9.1	8.1	10.8	10.6‡
8. Imports	—6.3	—3.4	—7.3	—17.9	4.6$
9. Exports	—8.9	3.6	13.3	4.1	8.6$
10. Freight carried by Railways	—0.3	1.9	5.3	2.5	—2.4**

*Provisional. **Estimated. †April-December, 1970 compared to April-December, 1969. ‡April 1 to March 26, 1971 compared to April 1, to March 27, 1970. $ April 1970—February 1971 compared to April 1969—February 1970.

The last two years have witnessed a fairly high rate of expansion in agricultural production. Following the recovery of production in 1967-68 from the abnormally low level of the two drought years 1965-66 and 1966-67, there was a marginal reduction in output during 1968-69. However, 1969-70 witnessed an impressive increase of 6.5 per cent in the overall index of agricultural production. According to latest indications, the increase in 1970-71 is also expected to be highly satisfactory.

TABLE II

PRODUCTION OF FOODGRAINS

(Million tonnes)

	1965-66	1966-67	1967-68	1968-69	1969-70
(1)	(2)	(3)	(4)	(5)	(6)
Cereals	62.4	65.9	83.0	83.6	87.8
of which					
Rice	30.6	30.4	37.6	39.8	40.4
Wheat	10.4	11.4	16.5	18.7	20.1
Coarse grains	21.4	24.1	28.8	25.2	27.3
Pulses	9.9	8.3	12.1	10.4	11.7
of which:					
Gram	4.2	3.6	6.0	4.3	5.5
Total Foodgrains	72.3	74.2	95.1	94.0	99.5

Note: Figures are subject to errors of rounding.

A large part of the improved performance is due to the significant increase that has taken place in foodgrains production, which rose from the low level of 74.2 million tonnes in 1966-67 to 95.1 million tonnes in 1967-68. In 1968-69 it was lower by about a million tonnes. In the following year, however, aggregate foodgrains output once more rose to 99.5 million tonnes and is expected to be around 105 to 106 million tonnes in 1970-71.

The increase in production in 1969-70 over that in the previous year was spread over almost all the grains. The output of rice exceeded the 40 million tonnes mark while wheat crossed the level of 20 million tonnes. The production of pulses exceeded the previous year's output by nearly 1.3 million tonnes, nearly the whole of which was due to gram.

The increase in foodgrains output in 1970-71 has been spread over both the kharif and rabi seasons. Rainfall during the kharif season has been satisfactory practically everywhere, with the result that the production of kharif foodgrains is expected to be higher than last year by about 5 million tonnes; the output of rice is likely to be higher by 2.5 to 3 million tonnes. Although winter rains were again delayed this year, the production of rabi foodgrains is expected to be around 1 to 1.5 million tonnes higher than last year, the rise being mostly accounted for by wheat. The output of pulses, both kharif and rabi, is expected to be slightly higher than in the previous year.

The output of commercial crops does not show any clear trend of growth. While in 1967-68 there was a general improvement, in 1968-69 oilseeds, jute and cotton registered

sharp declines. Sugar and coffee were the only exceptions. The situation in 1969-70, however, was satisfactory. The output of oilseeds and sugarcane rose sizably; and the production of raw jute and mesta almost doubled from the extremely low level of the previous year.

In 1970-71, however, the production of commercial crops presents a mixed picture, In oilseeds, particularly groundnuts, a rise in output is expected, even though, in terms of the country's total requirements, supply will be still short. The jute and cotton crops will be lower than, while the sugarcane crop is expected to be at about the same level as, last year's. The output of tea will be only slightly higher: on the other hand, the coffee crop this year has not only recovered from the low level of 1969-70, but will be considerably higher than the peak of 78,500 tonnes reached in 1966-67.

Progress of New Strategy

Favourable seasonal conditions have no doubt contributed to the impressive growth of production in the last two years. However, not all of this can be explained by weather. To a large extent, the additional production is the result of sustained growth of irrigation, the spread of the new technology and the expansion of fertilizers, pesticides and better equipment. The cultivation of high-yielding varieties of seeds of food crops has now taken firm root in many parts of the country and is spreading fast in other areas. The area under high-yielding varieties was about 11.4 million hectares in 1969-70 as compared with 9.3 million hectares in the previous year. As against the target of coverage for 1970-71 of 15.05 million hectares, of which paddy would account for 5.66 million and wheat 5.88 million hectares, the actual achievement will be more than 14 million hectares.

Further developments in our search for better varieties have occurred during the year under review. A new wheat variety, *viz*. HD-1941, a triple dwarf capable of good response to high doses of fertilizers, has recently been recommended for public release. There has also been some increase in the area under the new varieties of rice, *viz*., Jaya, Padma, Hamsa, Pankaj, Jagannath and Sabarmati. Intensive efforts continue to evolve high yielding varieties of rice suitable to the diverse agro-climatic conditions in the country and at the same time comparable in performance to that of some of the now popular varieties of wheat. Rice being the most important cereal crop, success in this direction in crucial.

With regard to millets, while the spread of hybrid varieties of bajra is encouraging, progress has been halting for maize and jowar. The existing hybrid varieties of jowar are not sufficiently disease-resistant and therefore entail heavy expenditure on plant protection measures. In the case of hybrid maize, the existing varieties are of a relatively long duration and do not permit the sowing of a second crop.

The area under multiple cropping increased by 1.89 million hectares in 1969-70, and another 1.54 million hectares may be added during 1970-71. The number of tube-wells and filter points increased by 74,5000 in 1968-69, and by another 90,000 in 1969-70. During the same year, the number of pumpsets is estimated to have increased by over 300,000. Higher achievements are expected in 1970-71. The additional area benefiting from minor irrigation was around 1.4 million hectares in both 1968-69 and 1969-70. but for 1970-71 it would be higher at 1.5 million hectares. The area covered by plant protection measures has risen from 16.6 million hectares in 1965-66 to about 35 million hectares in 1969-70. The production of tractors in 1970 was of the order of 20,500 as against 18,000 in 1969; their number is being supplemented through imports. Imports of power tillers, disc harrows, etc., are also being arranged in order to meet the growing demand.

Further advances have been made with regard to the indigenous production and supply of quality seeds of the higher yielding varieties. The National Seeds Corporation has, in this connection, expanded its activities considerably in supplying both foundation seeds and seed for crop production. The Corporation has continued the certification of seeds in most of the states, and is also helping the indigenous industry to develop and manufacture seed-processing equipment such as seed cleaners, driers, elevators, moisture meters, etc. The Tarai Seeds Development Corporation has started to supplement the activities of the NSC.

Making Available Essential Inputs

Agro-Industries Corporations have been set up in all the states with a view to making available essential inputs and popularising mechanised farming. The corporations are entrusted with the sale of tractors and other agricultural machinery on easy terms, and the organisation of hiring and servicing centres. There is at present considerable unsatisfied demand for agricultural machinery, particularly tractors, and measures such as the one above will help in extracting the maximum possible benefit from the existing equipment.

Further progress has been made in the institutionalisation of agricultural credit during the year. The quantum of credit supplied by the co-operatives during 1969-70 is estimated to have risen to Rs 682 crores from Rs 615 crores in the previous year. The central and state governments,

TABLE III

PRODUCTION OF COMMERCIAL CROPS*

Crops	Unit	1965-66	1966-67	1967-68	1968-69	1969-70
Major Oilseeds†	Mn. tonnes	6 4	6.4	8.3	6 8	7.6
of which:						
Groundnuts	Mn. tonnes	4.3	4 4	5.7	4 6	5.1
Rapeseed and Mustard	Mn. tonnes	1.3	1.2	1.6	1.3	1.5
Jute and Mesta	Mn. bales	5.8	6.6	7.6	3.8	6.8
Cotton (lint)	Mn. bales	4.6	5.0	5.5	5.1	5.2
Tea	Mn. Kgs.	366	376	385	402	396
Coffee	'000 tonnes	63.9	78.5	57.3	73.5‡	63.5‡
Sugarcane (in terms of Gur)	Mn. tonnes	12.8	9.5	9 8	12 8	13.4
Tobacco	'000 tonnes	293	353	369	361	338

*Relates to crop years. †Includes groundnuts, rapeseed and mustard, sesamum, linseed and castorseed. ‡Estimates.

the Life Insurance Corporation, the Reserve Bank of India and the State Bank of India continued to participate in debenture floatations of the co-operatives. The Agricultural Finance Corporation has also stepped up its assistance for minor irrigation, rural electrification and other farm improvement schemes. In the wake of the nationalisation of the leading commercial banks the participation of commercial banks in agricultural financing registered a spectacular increase during the year under review: total advances of public sector banks to agriculture stood at Rs 344 crores at the end of December, 1970, as against Rs 160 crores at the end of June, 1969.

Use of Chemical Fertilizers

The consumption of fertilizers continues to increase, though the rate of growth is currently below expectations. Both in 1968-69 and 1969-70, the rise has been of the order of 15 per cent only as compared to 40 per cent in each of the two previous years. In 1969-70, the lower rate of growth was due to unfavourable weather in certain parts of the country, as well as shortcomings in the distribution system. The latter are being attended to. Despite good rainfall over practically the whole of the country, fertilizer consumption has not picked up substantially in the year under review. The basic reasons for the failure of consumption to increase as fast as expected, namely, application of dosages below the recommended ones and the slow rate of absorption by the relatively smaller-sized holdings, continue.

The extent of plant protection measures also, affects the growth of consumption of fertilizers as without them the farmers' investment, both money and labour, may be rendered infructuous. Progress in this direction has been rather slow, the expected coverage in 1970-71 being 42.3 million hectares (gross) as against a target of 80 million hectares for the end of the fourth Plan.

The intensity of fertilizer application (nutrients per hectare of cropped area) has risen since 1966-67 by over 60 per cent but the rate of increase has been rather uneven as between different parts of the country. In the northern region, the rate of growth has been phenomenal, from 5.84 kg per hectare in 1966-67 to 15.04 kg in 1969-70, i.e., by as much as 158 per cent. This high rate of increase is obviously due to the growing popularity of the high-yielding varieties of wheat and maize, and the existence of irrigation facilities. In the non-wheat growing states, the increase has been much less, being of the order of about 35 per cent in the western and southern zones, and only 15 per cent in the eastern zone. Slow progress in the western zone can be explained in terms of poor irrigation facilities, while the lag in the eastern and southern zones must be partly explained by the preponderance of small holdings. Since plantations account for a substantial part of the fertilizer used, it would appear that, so far as the eastern zone is concerned, there has not been much progress in regard to field crops.

With continuing good harvests, the pressure on the public distribution system has eased further during the year. However, the government intends to continue the public distribution programme with a view to containing inflationary pressures, as well as to ensure a measure of protection to the vulnerable sections of the population. The total volume of foodgrains distributed in 1970 was 600,000 tonnes less than the amount distributed during 1969. There have, however, been changes in the pattern of distribution. The quantity of rice sold through public channels has delined, while that of wheat has risen. The quantity of coarse grains distributed has also declined from 2.8 million tonnes in 1967 to less than half a million tonnes in 1970.

TABLE V

PUBLIC DISTRIBUTION OF FOODGRAINS

(Million tonnes)

	1965	1966	1967	1968	1969	1970
	1	2	3	4	5	6
Rice	3.6	4.1	3.0	3.6	3.5	3.1
Wheat	5.9	8.1	7.4	5.7	5.2	5.4
Other grains	0.6	1.8	2.8	1.2	0.8	0.4
Total	10.1	14.1	13.2	10.4	9.5	8.9

Note: Totals may not tally due to rounding off.

Industrial Performance

Industrial production had increased by 6.4 per cent in 1968 and 7.1 per cent in 1969. The significant rise in agricultural output during 1967-68 was followed by a general improvement in the rate of growth of consumer goods industries and, later, of the intermediate goods and capital goods sectors. This improvement continued during 1969. In that year, food manufacturing industries increased their output over the previous year by 25 per cent. Other important groups which showed large growth in output during that year were electrical machinery, non-metallic mineral products, metal products, chemicals and power generation. Non-electrical machinery, petroleum refinery products, rubber products and paper and paper products also registered sizable increases.

In particular, the output of fertilizers went up by 22 per cent and the output of cement increased by 14 per cent. Similarly, substantial increases took place in the production of radio receivers, storage batteries, dry batteries and electric lamps. Motor cycles, scooters and mopeds too recorded large gains in output, Machine tools made impressive increases. Textiles, the most important group, however, re-

TABLE IV

CONSUMPTION OF CHEMICAL FERTILIZERS

(Thousand tonnes of nutrients)

	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71
Nitrogenous (N)	575	738	1,035	1,208	1,360	1,425
Phosphatic (P_2O_5)	132	249	335	382	420	461
Potassic (K_2O)	77	114	170	170	209	226

corded a small decline because of the sharp fall in the production of jute goods.

Industrial production during 1970 has not lived up to the promise shown in the two previous years when the economy was recovering from the effects of the recession. During the first six months of 1970, the index of industrial production was higher by 6.2 per cent as compared to the corresponding period of 1969; since then, the growth has slackened. Although output continued to be higher than in 1969 the rate of growth during 1970, in terms of the monthly official index numbers of industrial production, came to 4.6 per cent. On the basis of past revisions of the "annual" index, however, which includes many items not included in the monthly index, the aggregate increase may be expected to be at least 5 per cent over the previous year.

In electrical machinery, the rate of growth in 1970 has been lower than in the previous year, as the output of several lighter items such as batteries, electrical appliances and radio receivers was relatively stagnant. On the other hand, the output of transformers and electrical motors was at a much higher level; that of cables and wires too showed improvement, reflecting the greater emphasis on rural electrification. The production of non-electrical equipment appears to have suffered a set-back in the latter half of 1970. Even so, the output of machine tools has been higher by 25 per cent. The index of the aggregate output of industrial machinery has come down by about 5 per cent, though some individual items have shown substantial increases in 1970.

While during the past year, and more, the climate for private investment has been good and the share market buoyant, the actual behaviour of the new issue market presents a mixed picture. A considerable volume of investment seems to be taking place in the small-scale industrial sector. Under the impetus of the new policy initiated in the banking sector, advances by the public sector banks to small-scale industry

TABLE VI

PROFILE OF GROWTH IN INDUSTRY

Industry	Weight	1960-65 average annual growth rate (per cent)	Percentage change: Over preceding year 1967	1968	1969	Jan. to Oct. 1970 over Jan.-Oct. 1969(P)
1	2	3	4	5	6	7
Machinery except electrical	(3.38)	43.2	+2.8	+9.1	+6.9	+4.9
Manufacture of wood and cork except furniture	(0 80)	27.0	+6.3	+7.0	+9.9	—30.2
Transport equipment	(7.77)	21.3	—11.4	+3.1	—5.2	—1.3
of which:						
Railway equipment	(3.50)	31.8	—21.5	—8.5	—10.6	—19.4
Metal products	(2 51)	21.1	—7.8	—5 6	+13.1	+3.9
Electrical machinery	(3.05)	20.9	+8.1	+14.0	+16.2	+11.8
Electricity generated	(5.37)	18.2	+11.0	+15 6	+12.9	+11.3
Basic metals	(7.38)	16.0	—4.1	+6.5	+8.3	—3.5
Manufacture of footwear, and other wearing apparel and made up textile goods	(0.21)	13.9	+5.5	—1.1	—7.8	—12.3
Rubber Products	(2.22)	11.9	+7.0	+17.9	+6.6	—2.9
Petroleum refinery products	(1.34)	11.7	+19.6	+11.1	+8.0	+6.2
Chemicals	(7.26)	10.8	+2.3	+14.6	+10.2	+8.2
of which:						
Fertilizers	(0.456)	30.5	+23.1	+31.3	+22.1	+22.0
Synthetic fibres	(0.638)	14.8	+14.3	+11.1	—3.2	+9.2
General Index	(100.00	10.8	—0.8	+6 4	+7.1	+4.7
Non-metallic mineral products	(3.85)	9.8	+5.2	—0.8	+13.3	—10.2
of which:						
Cement	(1.17)	7.0	+2.1	+5.8	+14.1	+2.7
Beverage and tobacco industries	(2.22)	9.5	+6.0	+8.9	+0.8	+1.8
Paper and paper products	(1.61)	9.4	+4.4	+10.7	+8.9	+8.6
Mining and quarrying	(9.72)	6.3	—0.2	+6.2	+2.2	+1.4
Leather and fur products (except footwear)	(0.43)	4.5	—3.0	—12.0	—13.9	—26.5
Food manufacturing industries	(12.09)	4.4	—13.2	—3.0	+26.3	+16.1
Textiles	(27.08)	3.0	—1.2	+4.6	—2.7	+1.0
of which:						
Cotton textiles	(21.18)	2.3	—1.5	+6.5	No change	+0.5
Woollen textiles	(0.63)	7.3	—5.5	+17.7	+6.9	+3.4
Jute textiles	(3.97)	4.1	+3.7	—7.4	—19.3	+20.6

Note: Weights of groups will not add up to 100 because of exclusion of (i) the miscellaneous Manufacturing Industries group and (ii) certain items for which data are available only on an annual basis, and which are, therefore, not covered in the Monthly Statistics of Production. (P) provisional

rose by over Rs 170 crores during the period July 1969 to December 1970, the number of accounts increasing by well over 60,000. The hire-purchase scheme of the National Small Industries Corporation, the operations of the state financial corporations, and the value of import licences issued to small-scale units, all indicate an upward trend in activity in this sector. The value of import licences issued to the small industrial units during the first eleven months of 1970-71 was about one-third larger than in the corresponding period last year.

TABLE VII

CONSENTS FOR THE ISSUE OF CAPITAL BY THE CONTROLLER OF CAPITAL ISSUES, AND CAPITAL RAISED†

(Rs crores)

	1967	1968	1969	1970
A. **Consents**				
All Companies	237.0	149.0	143 5	100.7
1. Government companies	2.4	5.3	10.0	2.2
2. Non-government companies	234.6	143.2	133 5	98.5
(i) **Share Capital**	158.4	96.9	82 5	83.4
(a) Equity	93.3	52.2	36.5	30.2
(b) Preference	17.3	11.2	4.9	10.3
(c) Bonus	47 8	33.5	41.1	42.9
(ii) Others (including debentures and loans etc.)	76.2	46.3	51.0	15 1
B. **Capital Raised**				
Total	263.9	294.4	295 2	NA

of which:				Jan.- Sept. 1969	Jan.- Sept. 1970
Private Sector*	86.3	95.9	89.2	44.6	67.2 (P)

†Capital raised is during the year, and irrespective of the year (s) of approval. *Comprises equity, preference and debenture capital. (P) Provisional.

There are a number of pointers to indicate that, in the large-scale sector too, entrepreneurial interest has been steadily on the increase during 1970. Although the figure of consents for capital issues given to non-government companies is lower than in the previous year, the difference is accounted for by loans and debentures; equity and preference issues taken together are at the same level as in 1969. Capital actually raised by the private sector during January-September 1970 was about Rs 23 crores more than during the same period in 1969. The response to public issues has also been enthusiastic. The term lending institutions such as the IDBI, IFC, etc, have been expanding their operations fast. Sanctions during 1970 were Rs 51 crores higher than in the previous year, while disbursements rose by as much as Rs 28 crores.

Other indicators of investment intentions are industrial licences and letters of intent issued which, during 1970-71, were nearly twice the figures for the previous year. A total of 475 industrial licences were issued during 1970-71 as compared to 219 in 1969-70, while letters of intent issued showed an increase from 219 to 321 over the year. The number of applications for industrial licences received during 1970 was also more than twice that for the year 1969. Approvals by the Capital Goods Committee during 1970-71 were for a value about 35 per cent higher than in 1969-70. Import licensing of raw materials and components too during the year has been as much as 35 per cent higher than in the preceding year.

While developments in the private sector must, therefore, be considered to have been on the whole encouraging, the fact remains that for some time to come, much greater support is required from public sector investment which not only adds to industrial potential directly but also creates a favourable environment for private enterprise. Apart from lack of industrial raw materials and organisational bottlenecks, another element which has affected the rate of industrial growth during the year has been, as seen above, a weakness in demand for the investment-goods industries. The generally depressed state of these industries in turn has affected the output of several auxiliary and ancillary units, and has also affected the rate of employment. An improvement in the magnitude of public investment could provide an impulse and quicken the pace of activity in each of these industries. During 1970-71, despite the markedly large Plan outlay provided for in the budget, public investment does not seem to have increased to the extent hoped for. The railways, which have been the single most important factor influencing investment decisions in a large part of the engineering industry, particularly in the eastern sector, cannot see their way to a substantial increase in capital outlay in a not too encouraging traffic situation. There have been shortfalls too in major industrial projects such as the Bokaro steel plant, the petrochemicals project, and the public sector fertilizer units. Only with regard to power generation, there seems to be a resurgence in public investment. There is, therefore, pressing need to enlarge the scale of public investments in industry as well as infrastructures such as transport and communications if the rate of industrial growth is to be sustained and improved upon.

Remarkable Progress

In terms of the results achieved during the past two decades, India's rate of industrial progress has been remarkable. There are few commodities, including sophisticated ranges of industrial equipment, which the country is not now able to produce. Alongside with general industrial growth, there has been a steady spread of the technological base, and a large stock of skilled manpower, that could help accelerate the pace of industrial expansion once investments pick up substantially, is also available.

This very sophistication and intensity of growth have, however, brought in their train a number of specific problems. In the recent period, much of the industrial expansion has been induced by import restrictions supported, occasionally, by administrative price fixation for a wide range of industrial goods on the principle of what has come to be know as 'cost plus'. Neither practice has been particularly helpful towards promoting efficiency or lowering costs. On the other hand, if costs cannot be reduced, the demand both internal as well as in the foreign market, for several of our industrial products may remain on a low key.

While failure to raise the production of industrial raw materials would also restrain industrial growth, another major problem is related to organisational deficiencies. The new industrial licensing policy goes a considerable way to simplify procedures and thus reduce delays. Other simplifications—which could promote growth as well as effi-

ciency—should also be feasible, and the search for them will have to continue in the light of experience.

There is the additional, and much more intricate, problem of generation of employment opportunities. It is not only a question of the appropriate technology but also of a careful regional dispersal of investments so that opportunities are evenly distributed over the different parts of the country. Clearly, the scale of investments by itself will be able to meet only a part of the problem. The challenge has wider and deeper facets. The pattern of investments has to be carefully sifted to ensure the reconciliation of the needs of production with those of absorption of labour. In selected areas, the objectives of local participation, additional resource mobilisation and responsiveness to the needs of the people must be kept to the fore, as far as possible, in implementing the programmes. The employment-oriented schemes must, therefore, add up to an integrated Plan.

Foreign Aid

The overall balance of payments during 1970-71 showed a sharp reversal from the favourable position in 1969-70. In contrast with the sizable increase of Rs 149.7 crores in foreign exchange reserves in 1969-70, there was a decline of as much as Rs 163.9 crores in the year under review. This decline was, however, matched by substantial further repurchases of outstanding short-term obligations to the International Monetary Fund and the payment of the gold portion of the increase in India's quota in the Fund. At the end of December 1967, the country's outstanding short-term indebtedness to the IMF amounted to Rs 380.6 crores ($507.5 million). Because of the improvement in her payments position, India had repurchased Rs 226.9 crores ($ 302.5 million) by the end of 1969-70; and the balance of Rs 153.8 crores ($205 million) was repurchased in 1970-71. Thus, for the first time since the Second Plan, there are no outstanding drawings on the IMF.

In 1970 India's quota in the Fund was raised by $190 million; one-fourth of this amount, or $47.5 million (Rs 35.6 crores), was payable in gold. The payment of this gold portion was effected through the purchase of $ 30 million worth of gold from the USA and through the use of newly mined as well as confiscated gold available with the government. In all, repurchases from the IMF and the gold quota payment involved an outgo of foreign exchange worth Rs 176.3 crores ($235 million) during 1970-71.

Foreign exchange reserves (excluding fresh accrual of Special Drawing Rights) during the year were drawn down by Rs 163.9 crores. If, however, the accrual of SDR's in January 1971 worth Rs 75.4 crores is taken into account, the decline in reserves would have been of the order of Rs 88.5 crores.

The substantial repurchases of rupees from the IMF have been an important factor in bringing about the decline in foreign exchange reserves. This decline during 1970-71 contrasts sharply with the rise in foreign exchange reserves in the preceding year. Foreign exchange reserves, including SDR's went up by Rs 244.2 crores in 1969-70; excluding the accural of Rs 94.5 crores worth of SDR's in January 1970, the increase in reserves would have been Rs 149.7 crores. This sizable rise in reserves occurred despite the repurchase of Rs 125.4 crores from the IMF. If allowance is made for this repurchase, the improvement in reserves (excluding SDR's) was as high as Rs 275.1 crores. For the year 1970-71, the improvement in reserves on a comparable basis was, however, extremely small.

The creation of additional international liquidity through the SDR Scheme helped supplement India's reserve resources. So far, SDR's worth Rs 170.0 crores ($ 226.6 million) have been allocated to India; out of these, Rs 88.9 crores ($118.5 million) have been utilised for repurchase and interest payments to the IMF. During the past year, India was designated by the IMF for the acceptance of SDR's in exchange for convertible currencies. A limit of $ 14 million each was allocated for the last two quarters of 1970 and of $ 48 million for the first quarter of 1971. Until the end of March 1971, SDR's worth Rs 30.6 crores ($ 40.8 million) had been acquired against convertible currencies. Thus, the net use of SDR's by India in meeting external obligations has, during the last two years, amounted to Rs 58.3 crores.

Balance of Payments : 1969-70

A further reduction in the trade deficit was one of the factors leading to the overall improvement in India's balance of payments during 1969-70. Payments for imports amounted to Rs 1,582.3 crores and were lower by Rs 158.2 crores as compared to the payments made in 1968-69. At the same time, export receipts went up by Rs 36.5 crores to Rs 1,403.9 crores. As a result, the deficit on merchandise account was reduced to Rs 178.4 crores from Rs 373.1 crores in 1968-69. During 1969-70, there was a much larger reduction in imports financed through free foreign exchange; unlike in 1968-69, the fall in imports was not accompanied by a near-commensurate decline in aid utilisation. Import pay-

TABLE VIII

FOREIGN EXCHANGE RESERVES

(Rs crores)

Year	Gold, foreign exchange and SDRs*	Variations in reserves	Accrual of SDRs	Variations in reserves excluding accruals of SDRs (3—4)	Net drawings on (+)/ excluding repayments (—) to IMF	Variations in reserves gross of transactions with IMF (5—6)
1	2	3	4	5	6	7
1967-68	538.6	60.2	..	60.2	+24.4	35.8
1968-69	576.7	38.1	..	38.1	—58.5	96.6
1969-70	820.9	244.2	94.5	149.7	—125.4	275.1
1970-71	732.4	—88.5	75.4	—163.9	—176.3**	12.4

Provisional figures for 1970-71. *Year-end figures. **Includes purchase of gold abroad for gold quota payment to the IMF.

ments during 1969-70 fell largely as a result of lower payments for food and equipment imports; payments for all other commodities, consisting predominantly of industrial materials and intermediates, were higher because of rising industrial output. The decline in import payments, thus reflected, in the main, the growth of agricultural production, the progress of import substitution and the sluggish demand for new industrial capacity. Export receipts in 1969-70 rose by just above 2.6 per cent owing to lower earnings from major traditional commodities, such as tea, jute manufactures, oil cakes and cashew kernels. Fortunately, non-traditional exports, recorded a substantial increase so that aggregate export receipts were higher despite the setback to traditional exports.

The deficit on account of invisibles, unlike the merchandise deficit, widened during 1969-70, the net outflow of Rs 149.1 crores being Rs 14.7 crores higher than in the preceding year. A larger net outflow on account of investment income was partly responsible for the higher deficit on the invisibles account.

The deficit in the current account amounted to Rs 327.5 crores. The net outflow on account of unidentified transactions—or errors and omissions—was of the order of Rs 14.5 crores. Current account transactions, adjusted for errors and omissions, thus recorded a deficit of Rs 342 crores, which was a little over half of the comparable deficit of Rs 621.2 crores in 1968-69.

There was an outflow of Rs 297.6 crores because of other capital transactions including amortisation and repurchase of rupees from the IMF. Since utilisation of external assistance amounted to Rs 782.9 crores and SDR's worth Rs 94.5 crores were allocated, an overall surplus of Rs 237.8 crores emerged.

Balance of Payments : 1970-71

Comparable data on balance of payments are available only for the first half of 1970-71. During April-September 1970, there was a relative weakening in India's balance of payments, and foreign exchange reserves showed a decline of Rs 10.5 crores, in contrast to an increase of Rs 91 crores recorded in the same period in 1969. All the main elements of the balance of payments weakened in this period. There was an increase in imports, a decrease in exports and the fall in aid disbursements. The impact on the country's external reserve consequent to the rise in import payments was larger during the period, as the phenomenon was accompanied by both a fall in export earnings and a decline in aid disbursements. With the decline recorded in April-September 1970, India's foreign exchange reserves stood at a level of Rs 810.5 crores at the end of September 1970 as compared to Rs 820.9 crores at the beginning of the year.

Total payments for imports during April-September 1970 were Rs 65.4 crores more than in the same period in 1969, in spite of a decline of Rs 32.0 crores in commodity imports covered by PL 480 Title I. There was thus an increase of Rs 97.4 crores in the imports of other items. Exports over the same period dropped by Rs 24 crores to Rs 671.6 crores. As a combined result of the increase in imports and the decline in exports, the trade deficit at Rs 177.3 crores, was double the level in April-September 1969.

The invisibles account of India's balance of payments also showed a deterioration of Rs 9.9 crores in April-September, 1970.

Receipts of external assistance during April-September 1970 amounted to Rs 374.0 crores, showing a decline of Rs 46.9 crores from April-September, 1969. Utilisation of assistance under PL 480 Title I indicated a fall of Rs 32.0 crores. The disbursements from loans also showed a drop of Rs 34.1 crores, at Rs 268.1 crores. Grants were, however, larger by Rs. 19.2 crores. While the lower utilisation of imports under commodity assistance under PL 480 Title I reflects an improvement in domestic food supplies, the lower utilisation of other loans was the result of a decline in aid availability.

The larger trade deficit and the deterioration in invisibles led to a deficit in the current account to the extent of Rs

TABLE IV

INDIA'S BALANCE OF PAYMENTS*

(Rs crores)

	1967-68	1968-69	1969-70	April-September	
				1969	1970
1. Imports	2042.8	1740.5	1582.3	783.5	848.9
2. Exports	1254.6	1367.4	1403.9	695.6	671.6
3. Trade Balance (2—1)	—788.2	—373.1	—178.4	—87.9	—177.3
4. Invisibles (net)	—160.1	—134.4	—149.1	—60.3	—70.2
5. Current account (net)	—948.3	—507.5	—327.5	—148.5	—247.5
6. External assistance (gross)	1123.5	851.5	782.9	420.9	374.0
7. Other capital transactions including drawings on and repayments to IMF (net)	—18 8	—192.2	—297.6	—134.4	—138.6
8. Errors and omissions	—85.6	—113.7	—14.5	—47.3	+1.6
9. SDRs.	..	..	94.5	..	..
10. Movements in foreign exchange reserves [Increase (+) Decrease (—)]	+70.8**	+38.1	+237.8**	+91.0	—10.5

*The balance of payments data on imports and exports are based on exchange control records and other sources, and differ slightly from the data published by the Director General of Commercial Intelligence and Statistics.

**Exclude changes in reserves arising from devaluation of the pound sterling in November, 1967 and revaluation of the DM in October, 1969; the figures in the Table VIII on foreign exchange reserves include these.

247.5 crores in April-September 1970 as compared to Rs 148.2 crores in April-September, 1969. Taking into account, the unidentified flows shown under "errors and omissions" which turned, during April-September 1970, to an inflow of Rs 1.6 crores as compared to an outflow of Rs 47.3 crores in the same period in the previous year, the deterioration in the current account deficit was Rs 50.4 crores. In April-September 1969, the net inflow in the capital account including external assistance (Rs 286.5 crores) had exceeded the current account deficit (Rs 195.5 crores) by Rs 91.0 crores, which had accrued as an addition to reserves. In contrast, during April-September 1970, the net inflow in the capital account (Rs 235.4 crores) fell short of the current account deficit of Rs 245.9 crores by the amount of Rs 10.5 crores, which had therefore to be drawn from the reserves.

Reduction in Imports

The value of import arrivals as recorded by the DGCIS during 1969-70 fell by about 18 per cent from the previous year's level. There was a further reduction in imports of foodgrains by Rs 75.6 crores, or by about 22.5 per cent, almost entirely due to a sharp fall in imports of wheat. The value of non-food imports declined by about 17 per cent, because of improved availability of certain agricultural materials, import substitution and slower growth of demand for new industrial capacity.

Imports of cotton declined sizably due to lack of demand for textiles during the year. While jute imports fell to a low because of greater internal availability, imports of vegetable oils increased for the opposite reason. Greater domestic production also reduced the import of non-ferrous metals and aluminium. On the other hand, imports of intermediates and materials such as paper and paper board, petroleum, oils and lubricants and raw wool increased slightly.

Equipment imports during the year fell even faster than imports of foodgrains. The value of imported industrial machinery and transport equipment declined by nearly 24 per cent owing to the slow growth of investment outlays in the recent past and a fairly rapid rise in the output of machine-building industries.

As a result of rising industrial output, higher levels of public investment, and improved outlook for private investment the demand for imports picked up again in 1970-71. Shortages of certain raw materials and intermediates such as cotton and metals added further to the demand for imports. During the first eleven months of 1970-71 aggregate imports, for the first time since the devaluation of the rupee in 1966, exceeded the preceding year's level. Total imports during April 1970-February 1971 were 4.6 per cent higher than in the corresponding period of 1969-70.

Commodity-wise details of imports are available only till the month of October 1970. Food imports fell during April-October 1970 by Rs 51 crores as compared to the same period in 1969; raw jute imports were reduced to a trickle. Raw cotton imports, however, rose by nearly 30 per cent owing to the shortfall in domestic production. Imports of oils and fats, too, were higher by Rs 5.6 crores than in April-October 1969. Larger imports of oils and fats reflect the decision to stabilise internal prices by supplementing internal availability with adequate imports.

TABLE X

IMPORTS: BROAD COMMODITY GROUPS

(Rs crores)

Commodity	1967-68	1968-69	1969-70	April 1969 to October 1969	April 1970 to October 1970
1. Food	518.2	336.6	261.0	175.9	124.9
2. Cotton	83.0	90.2	82.8	54.1	70.1
3. Jute	1.8	9.3	1.1	1.1	0.1
4. Animal and vegetable oils and fats	34.4	19.3	29.6	21.5	27.1
5. Fertilizers and fertilizers materials	209.5	198.2	107.4	65.5	51.5
6. Petroleum products	74.8	133.2	137.9	79.3	74.7
7. Metals	195.2	175.2	155.6	99.9	141.3
8. Machinery and transport equipment	503.1	513.9	392.7	230.5	217.1
9. Others	387.6	470.3	441.0	211.1	255.6
Total	2007.6	1908.6	1567.5	938.9	932.4

Source: Monthly Statistics of Foreign Trade of India, DGCI & S.

Large Steel Imports

Metal imports during April-October 1970 went up sharply to Rs 141.3 crores from Rs 99.9 crores over the same period in the preceding year. Substantially higher output of engineering goods and the unsatisfactory position of domestic steel output during 1970 led to large volume of steel imports. Although aluminium output expanded fast in 1970 as well as in 1971, the rise in production was inadequate to meet a sharp increase in demand, particularly on account of the rural electrification programme. The demand for copper too went up with a steep increase in the production of electric motors, transformers, switch gear and cables and wires. The rate of decline in equipment imports considerably slowed down during April-October 1970; this reversal of the trend is expected to persist.

The demand for imports is expected to go up substantially in 1971-72. The factors mentioned above continue to operate even more strongly on the demand for steel and non-ferrous metals. The shortage of cotton, necessitating large imports in 1970-71, may persist because of the need to raise the output of medium quality cloth for meeting both the demand from lower income groups and the fibre requirements for exports. Along with the growing demand for cotton, the demand for synthetic substitutes, especially staple and polyster fibres, is also likely to rise further. Among other major commodities, imports of crude petroleum are expected to increase because of rising throughput of refineries in the country; besides, the import bill for petroleum products may rise in case increase in international oil prices are agreed to Current import licensing trends also point towards a fairly generalised increase in the demand for imports: the overall value, of imports licensed during 1970-71 was 35.6 per cent higher than in 1969-70.

Exports 1969-70

The growth of exports slowed down considerably during 1969-70. The rate of growth of exports (as recorded by the Director General of Commercial Intelligence and Statistics) fell to just around 4.0 per cent from the exceptionally high rate of 13.3 per cent in 1968-69 and was well below the annual

Plan target rate of seven per cent. An exceptional combination of unfavourable factors brought about this marked slowdown in the pace of expansion of exports: unfavourable world market conditions for major traditional exports; growing pressure of domestic demand; and the scarcity of certain key raw materials like steel and non-ferrous metals.

Export proceeds from the traditional group of commodities actually fell during 1969-70 by 3 per cent. Exports of jute manufactures fell slightly, due to the slow growth of demand, increasing competition from Pakistan and the emergence of synthetic substitutes. Exports of tea declined by Rs 32 crores because the average realised price fell by as much as 8 per cent due to weak world demand. In an attempt to stem the fall in international prices, tea producing countries, including India, entered into an agreement to reduce the amount of tea placed on the world market by 90 million pounds during 1970.

Decline in Cotton Piece-Goods Exports

Exports of mill-made cotton piece-goods fell by Rs 3.1 crores in 1969-70. International market conditions rather than domestic factors caused this decline. However, because of a doubling of exports of cotton yarn, exports of mill-made cotton textiles, including yarn and apparel, rose by about 14 per cent. There was a rise in yarn exports to the UAR, eastern Europe and Burma. Burma, in fact, replaced the UK as the single largest outlet for Indian cotton yarn.

Exports of cashew kernels fell by Rs 3.5 crores as a consequence of weaker export demand and growing international competition. The value of exports of raw tobacco fell slightly because of lower average export prices and stagnant production of Virginia leaf. Inadequate domestic production held up the growth of oilcake exports which fell by Rs 8 crores. But the exports of spices went up by Rs 9 crores. Among other traditional commodities, there was a rise in export earnings from coffee, raw cotton and handloom cloth, while manganese ore exports recorded a substantial fall, owing, in part, to lower export prices.

Exports of the non-traditional group of commodities expanded by 13.5 per cent during 1969-70. Although exports of engineering goods increased by nearly a third, the rate of growth slackened considerably due mainly to rising internal demand and the scarcity of steel. For the same reason, exports of iron and steel rose only marginally. Exports of iron ore, however, rose significantly because of the rising world output of steel and the consequent growth in the demand for iron ore. The value of exports of fish and allied products increased by nearly forty per cent due to higher out-

put and an expanding world market. Exports of both chemical products and leather goods also recorded a significant rise during 1969-70. There was, however, a slight decline in the exports of gems and jewellery.

Exports 1970-71

The same forces which inhibited the growth of exports in 1969-70 continued to operate, sometimes with greater intensity, during the first half of 1970-71. World demand for tea and jute goods weakened further; steel, aluminium and other non-ferrous metals continued to be in short supply; a raw cotton shortage emerged; the pressure of domestic demand on exportables continued to build up. Furthermore, exports were severely hit by the bargemen's strike at the Calcutta port during June and July 1970. Consequently, export earnings during the first half of 1970-71 fell by about 0.6 per cent as compared to the first half of 1969-70. From October 1970 onwards, however, exports recovered smartly owing to the easing of the abnormal situation prevailing earlier, measures taken to generate adequate export supplies and liberalisation of the requirements of imported raw materials, particularly steel, for export industries. Provisional data on exports for the period April 1969-February 1970 reveal that exports during this period recorded an increase of 8.6 per cent as compared to the corresponding period of 1969-70. On present indications, the growth rate during the entire year 1970-71 is expected to be 8-8.5 per cent which would exceed the 7 per cent annual growth target set for exports in the fourth Plan. This highly satisfactory growth of exports during 1970-71 was made possible by a rise in export earnings from a wide range of commodities, traditional as well as non-traditional. Increases in export earnings were especially substantial in the latter half of the year in the case of commodities such as iron ore, engineering goods, oil cakes, tea, sugar and spices.

Commodity-wise export statistics are, at this stage, available only upto the end of November 1970. In jute manufactures, the port strike combined with adverse conditions in the world market brought about a sharp decline in export earnings. During April-October 1970, export earnings from jute manufactures were nearly 15 per cent lower than during the same months in 1969. The decline was due mainly to a steep fall in carpet backing exports, owing to the slowdown of house construction in the USA as well as developing competition from synthetics and, to a smaller extent, from Pakistan. Output and exports of jute goods were hit further by the strike of dock labour in November followed by a strike in the jute-mills during December.

Decline Arrested

The declining trend in the value and volume of exports of tea was arrested during the year. Exports during April-November 1970 were higher by over 10 per cent than in the same period in 1969, as a result of both of an increase in the quantum of exports and a higher unit price realisation. The regulation of export supplies by producing countries during 1970 thus appears to have had a significant effect in halting the downward trend in prices. With the extension of the agreement to exports in 1971 and the drawing down of stocks in London, tea exports from India are expected to fare considerably better this year.

Exports of mill-made cotton textiles, particularly of mill made piece goods, registered a significant increase during April-October 1970 over the corresponding period of the preceding year, but the value of yarn exports fell by about a sixth despite a sharp rise in the export unit value. Exports of handloom fabrics rose only marginally. Among other traditional items, export earnings from vegetable oils oilcakes, coffee, manganese ore and spices were higher, during the first eight months of 1970-71; however, because of the steep fall in exports of jute manufactures, traditionl exports, as a whole, showed only a small increase of 2 per cent. The value of cashew exports declined a little, in spite of a hi her export price fetched, largely because of the fall in the volume of export on account of competition from Brazil and east Africa. The value of oilcake exports was more than 40 per cent higher than in April-November 1969, because of both better export prices and a sharp rise in the quantum of exports following higher oilseeds production in 1969-70. In view of a still better groundnut crop in 1970-71, oilcake exports are expected to pick up further. The value of tobacco exports increased only slightly despite an appreciable increase in export prices. Although the volume of pepper exports fell by about 20 per cent, the value of exports recorded a significant increase because of a substantial rise in international prices. Again, due to buoyant export demand, managanese ore exports rose by nearly 22 per cent notwithstanding a shift in the export mix towards cheaper, low manganese content ores.

Non-Traditional Commodities

Exports of non-traditional commodities continued to rise at a faster pace; during the first eight months of 1970-71 exports of this group of commodities were about 15 per cent higher than in April-November 1969. Iron ore exports rose by about 40 per cent in April-November 1970 as compared to the same period in 1969; the rate of growth for the whole of 1969-70 was only 7 per cent. Thanks to the rising output of steel all over the world, and especially in Japan, prospects for exports of ore are particularly bright; and the ore may, within the foreseeable future, replace tea as the second most important foreign exchange earner. Exports of iron and steel manufactures showed an increase of about 20 per cent during April-November, 1970. as against an increase of about 4 per cent during the full year 1969-70. There was a marked increase in the exports of many other non-traditional items as well, such as sugar, footwear, ferro-manganese and alloys, mineral fuels and lubricants, chemicals and plastic products, and rubber manufactures. The value of engineering exports rose over the eight-month period by about 19 per cent compared to a rise of roughly 33 per cent in 1969-70. Owing partly to the shortage of metals and partly to rising internal demand, the rate of growth of engineering exports slackened considerably in the case of industrial machinery and metal manufactures; exports of electrical machinery remained stagnant; exports of transport equipment alone recorded a sharp increase in the rate of growth. In order to maintain the growth of exports, steel requirements for export production were met by pre-empting internal supplies or through bulk imports; and, domestically produced aluminium, which is cheaper, was allocated for export production.

In the case of each of these non-traditional commodities however, there has been a dramatic improvement in export performance in the latter half of the fiscal year, and the rate of growth in this period is estimated to have substantially exceeded the rate that obtained in the corresponding period of 1969-70.

Exports of both marine products and leather goods, which had risen appreciably in 1969-70 were lower during the first eight months of 1970. Export supplies of marine products are now beginning to be limited by inadequate capacity. The growth of exports in the future, by and large, would depend on the rapidity with which further investment in fishing vessels, particularly deep sea fishing trawlers, materialises.

Exports during 1971-72 are expected to rise as much as in 1970-71. As a result, the average annual increase in exports

during the first three years of the fourth five-year Plan is likely to maintain the targeted rate of growth. Given an assured supply of steel and other scarce inputs for export production, exports of engineering goods are expected to expand satisfactorily. Significant increases in exports of other non-traditional commodities are also likely to occur. Iron ore exports, in particular, may be considerably higher owing to the continued expansion in world steel output. Traditional commodities are likely to fare better partly as a result of better export demand and partly because of improvement in availability. However, the need to strive for an even faster expansion of exports cannot be over-emphasised; this is the only way in which a healthy payments position can be maintained in the face of rising import requirements and debt service payments.

External Assistance

The volume of external assistance available continued to decline in 1970-71. Fresh aid commitments, including debt relief and unutilised aid commitments of earlier years, together amounted to Rs 2,484 crores, Rs 257 crores less than in 1969-70. New commitments, which had risen to Rs 831 crores in 1969-70, after declining in the two previous years, amounted to only Rs 612 crores in 1970-71. The availability of external credit has been affected adversely over the past few years because fresh commitments have lagged behind even the declining levels of utilisation of assistance. Thus, against a utilisation of Rs 1,196 crores, Rs 903 crores and Rs 866 crores in 1967-68, 1968-69 and 1969-70 respectively, commitments in these years amounted to Rs 795 crores, Rs 756 crores and Rs 831 crores respectively.

As a result the quantum of unutilised aid has been shrinking steadily. Aid in the pipeline, which at the beginning of 1967-68 amounted to Rs 2,451 crores was reduced to only Rs 1,872 crores at the beginning of 1970-71; during 1970-71 it fell further, by Rs 157 crores, to Rs 1,715 crores owing to the decline in fresh aid commitments for the year. Project and non-project credit in the pipeline taken together, which stood at Rs 1,694 crores at the beginning of 1970-71, diminished further during the year to Rs 1,637 crores, almost entirely as a consequence of the drawing down of non-project credit. Outstanding unutilised non-project credit, which at the beginning of 1970 71 amounted to Rs 510 crores, fell to Rs 462 crores by the end of the year, largely because commitments for 1970-71 are expected to amount to only Rs 342 crores as compared to Rs 394 crores for the preceding year. The overall availability of PL 480 assistance, which had improved a little during 1969-70 was substantially reduced during 1970-71 as there were no fresh aid aggreements. Consequently, the PL 480 pipeline, which amounted to Rs 149 crores at the beginning of the year, tapered off to Rs 54 crores by the end of it. However, a fresh PL 480 agreement between India and the USA for Rs 112.5 crores was signed on April 1, 1971; the amount covered by the agreement was increased by Rs 5.6 crores in May, 1971 to accommodate additional supply of soyabean oil.

Credit utilisation, like credit availability, continued to

decline in 1970-71. Moreover, the decline in aid utilisation was much larger than what had taken place in 1969-70. Disbursements of foreign aid, which had fallen by Rs 37 crores in 1969-70. dropped by Rs 97 crores during 1970-71. This fall in aid utilisation was brought about largely by a decline in aid-financed food imports and in the disbursement of non-project credit. The inflow of aid-financed food imports dropped from Rs 155 crores in 1969-70 to Rs 99 crores in 1970-71, while the disbursement of non-project credit shrank from Rs 448 crores to Rs 390 crores The utilisation of project credit is estimated to be marginally higher in 1970-71. However, this slight rise has not been able to reverse the declining trend in the utilisation of non-project assistance as its availability is falling. Also, though commitments of project credit have been rising somewhat, the level has not kept pace with the rate of utilisation.

TABLE XI

INFLOW OF FOREIGN ASSISTANCE
GROSS AND NET

(Rs crores)

Item	1967-68	1968-69	1969-70	1970-71 (provisional)
1	2	3	4	5
I. Gross aid disbursement of which:	1196	903	866	769
(a) PL 480 food aid*	285	131	136	63
(b) PL 480 non-food aid*	57	27	33	32
(c) other food aid	45	55	19	36
II. Gross Aid excluding food aid	866	717	711	670
III. Total debt servicing of which:	333	375	412	435
(a) Amortisation payments	211	236	268	283
(b) Interest payments	122	139	144	152
IV. Net aid flow (I—III)	863	528	454	334
V. Net aid flow exclusive of food aid, (II—III)	533	342	299	235

*Include assistance by way of imports under rupee payment terms and under convertible currency credits.

Gross aid disbursements take into account debt relief inclusive of debt rescheduling/postponment, etc. Debt service payments relate to those involving foreign exchange.

During recent years, the net inflow of foreign credit has been falling even faster than the utilisation of external assistance; for, along with lower rates of credit utilisation, debt service payments have been steadily increasing. Interest payments on, and amortisation of, external debt, which together amounted to only Rs 143 crores (in post-devaluation rupees) during 1961-62, had more than doubled by 1967-68. Debt service charges have continued to rise; from Rs 333 crores in 1967-68, they rose to Rs 435 crores by 1970-71. Consequently, the net inflow of foreign assistance, which amounted to Rs 863 crores in 1967-68, was reduced to only Rs 334 crores in 1970-71. No doubt lower levels of external assistance, both gross and net of debt servicing reflect, in part, the reduced dependence on food aid following improvements in agricultural output. Even so, the decline in other types of external credits, net of debt service payments has also been steep. The net inflow of such credits declined from Rs 533 crores in 1967-68 to Rs 235 crores in 1970-71. The actual contribution of external assistance to the financing of development is, thus, steadily going down and is tending to become only a marginal adjunct to the domestic savings effort. During the second and third Plan periods, the net inflow of external resources financed about one-fifth of the investment outlays. But, by 1969-70, the share of net external financing in investment had fallen to only 13 per cent; and, during the fourth Plan period, the net inflow of external resources is estimated to meet only 8 per cent of aggregate investment expenditures in the economy.

In the coming years, debt servicing will continue to absorb substantial foreign exchange resources. During 1971-72, debt service charges are estimated to reach the high level of Rs 458 crores ($610 million); for many years to come, the annual outgo of foreign exchange on account of servicing of debt already incurred will continue to be well over the level of 1970-71, that is Rs 435 crores ($580 million). This substantial burden is largely attributable to the comparatively harder terms, both as regards interest rates and maturity periods, attaching to a considerable part of the foreign debt contracted during the second Plan and the early years of the third Plan. Already debt servicing absorbs nearly 30 per cent of India's export earnings. During the entire fourth Plan debt servicing, it is estimarted, will claim 26.5 per cent of export proceeds; this proportion may turn out to be even larger in the event of exports falling short of the Plan target. Thus, the need for debt relief and the softening of aid terms cannot be over-emphasised.

Debt Relief

Recognising the need for debt relief, the Aid-India Consortium had fixed a target of Rs 225 crores ($ 300 million) for debt re-scheduling or re-financing for the three-year period ending in 1970-71. For 1970-71, Rs 85.5 crores ($114 million) were pledged as debt relief by the Consortium members, bringing the total debt relief extended since 1968-69 to Rs 241.5 crores ($322 million). Apart from debt relief granted by the donor countries and institutions, there has also been in recent years some softening aid terms. Consequently, there has been a slight rise in the average maturity of outstanding debts as well as a marginal fall in the average rate of interest on such debts. PL 480 aid, however, has been an important exception to this trend towards softer terms, as there has been progressive increase in the portion of the loans required to be repaid in dollars. In the April, 1971, agreement, the latter forms 80 per cent of the total value of the loan.

Most of the foreign credit at present has to be utilised for imports from the particular lending countries. The disadvantages to the recipient country of credit tying by donor countries have been generally recognised and efforts are being made to find ways of untying assistance for development. A step in the direction of untying of aid was recently taken by the USA which decided to relax partially the country-tying of loans offered by the Agency for International Development; AID loans to developing countries can henceforth be utilised for purchases not only from the USA but also from the specified developing countries. This concession may enable India to meet some of her requirements of industrial materials and inputs from other developing countries as well as to bid for AID-financed export orders from them. However, untying, if it is to bring about a general improvement in the quality of aid, will have to be extended further so as to cover a major portion of external assistance.

CHAIRMAN'S STATEMENT

COROMANDEL FERTILISERS LIMITED

Statement of the Chairman, Dr. Bharat Ram, at the Ninth Annual General Meeting of the Shareholders of Coromandel Fertilisers Limited held on June 9, 1971.

DR BHARAT RAM

LADIES AND GENTLEMEN:

I have great pleasure in welcoming you to the Ninth Annual General Meeting of the Company.

The year has begun propitiously and augurs well for the country. The General Elections have happily given the Prime Minister the required strength to implement boldly her policy aimed at growth with social justice. The spectre of a weak Government at the Centre need no longer haunt us. I hope at all levels meaningful cooperation, born of informed reason and conviction, will be extended to her. Private enterprise will undoubtedly rise to the occasion and cooperate with Government in this common endeavour of removing poverty and raising living standards. We are fortunate that our business, our concern with the farmer, brings us into the very heart of the 'Green Revolution'. Your Company has the faith that the Green Revolution will remain green. I cannot resist the temptation of quoting Dr Norman E. Borlaug here who said that "Indian scientists have played a major role in launching the Green Revolution," and that the farmers here, millions of small farmers, as in other parts of the world, have shown a remarkable willingness to accept the new discoveries of science and adopt the new technology in agriculture.

The food situation has improved since we met last and it seems possible that the country will have built up sufficient buffer stocks. The remarkable performance in wheat has given us greater confidence. Nearer home in Rajendranagar, a band of dedicated rice-breeders have demonstrated that interdisciplinary efforts can bring hope into the world of rice. The introduction of 'Jaya' is promising and before long, we may witness a revolution in rice, followed hopefully by equally encouraging results in other cash crops.

Plant

When we met last, I shared with you the hope that 1970 would see the Company move into a profit situation. This the Company has done, though it a modest measure. The Plant has operated well and at near design capacity, except for two unprecedented breakdowns which resulted in a significant loss of production. Many corrective steps have been taken to ensure that such breakdowns do not recur. There are still some areas over which we have little control and which cause us concern. The interruptions in power supply is one of these and your Management is working closely with the Andhra Pradesh State Electricity Board to ensure stability in power supply. Also the construction of a ten million gallon water storage reservoir has been taken on hand to reduce uncertainties in water supply.

I am glad to report that the Company's labour relations have been cordial and satisfactory. In-plant training facilities and induction of operational practices and procedures are a regular feature at the Plant. The Company also has a regular apprentice training scheme whereby 26 apprentices are given regular on the job training in various mechanical trades.

In August 1970, your Management entered into a three year agreement with the Employees' Association at the Plant agreeing to a wage revision taking into account the high cost of living and the wage structure prevalent in the industry.

Marketing and Distribution

We are gratified to find our product being accepted in a wider area of the country. This has been a welcome feature in the context of the intensified marketing strategies which your Management has launched, to ensure that this basic input is available to the farmers at the right place and in right time. To cater to areas where there was a potential demand for your Company's fertiliser, Rallis India Limited, a company with a distinguished record and experience, were appointed as another major selling agent for your Company.

Your Company has continued its programmes in the areas of farm service, demonstration plots, soil testing and newsletters for farmer education and this effort will be further strengthened.

If our agricultural strategy is to succeed, it must rest on the adoption of an integrated package of practices. As nitrogen management is significant to plant life, so is 'credit management' important from the farmer's viewpoint. We hope that the institutions concerned with credit will ensure that adequate credit is made available all along the line so that the farmer's purchasing power is strengthened and this vital input goes into the soil at the right time.

One major concern in this area, *viz.* movement of fertilisers from the Plant to various points has not been significantly relieved. You will recognise that the movement of fertiliser over a wide area depends upon the timely availability of railwagons and this has not been secured to us in any satisfactory measure. This state of affairs has

seriously disrupted the even flow of fertilisers and we have taken steps to bring this to the notice of the concerned authorities. This led us to explore and establish more storage points all over the country. These limitations impose extra costs in the handling of our product. We hope that recognising the practice in other States who have abolished sales tax levy, the Andhra Pradesh Government will also abolish sales tax on fertiliser and thus help in reducing the cost of fertiliser to the farmers.

Expansion

Details of the Phase I Expansion programme have been given in the Directors' Report. Your Management is in active consultation with International Finance Corporation representatives of the World Bank for financing the foreign exchange cost of the project. Immediately on receipt of a favourable response the engineering and allied work will commence. Details of the Phase II expansion are under Government's scrutiny and a decision is awaited soon.

Other Activities

Your Company continues its interest in educational activity. Apart from the scholarships we have endowed at the University level, we have instituted a fellowship for investigation and research in regard to application of fertiliser in dry areas and this project is being carried out in collaboration with the Indian Agricultural Research Institute. The Coromandel Lecture this year was delivered by the distinguished scientist, Dr Norman E. Borlaug widely acclaimed as the apostle of the Wheat Revolution and who was awarded the Nobel Peace Prize in 1970. Also on this occasion, the Company announced the institution of the Norman E. Borlaug award for outstanding contribution in the field of agriculture. The details will be worked out in close association with the Indian Agricultural Research Institute.

A distinguished scientist of international fame recently observed: "We now have the scientific tools and competence to achieve a major technological change in our agriculture. If we follow the path of science, old varieties in all crops can soon give place to new ones characterised by a greater capacity for yield per day and per unit of water. Most of the factors causing instability can be scientifically destroyed, pest control can be practised without polluting the atmosphere, dryland farming can be profitable. We have the means and the technical capability to launch such a mass movement of agricultural transformation and rural uplift."

We shall, in modest measure, provide the determination and passion to act.

Directors

Since the last meeting, the Company accepted with regret the resignations of Messrs. J. Z. Hoffman, L. L. Powell, K. C. Madappa, C. R. Rao, Sushil Kumar and C. S. Dennison. On your behalf, I would like to thank these Directors for their services to the Company. I would particularly like to record the Company's deep appreciation of the services rendered by Mr. C. S. Dennison who played a major role in formulating the concept of this Company and later in its founding. One of the original Promoter Directors, Mr. Dennison throughout his many years of association with the Company has always been in the vanguard of the forward thinkers and doers who are helping to solve the problems of those living a life of scarcity.

The Company had pleasure in welcoming Mr M.N. Kale and Mr N. P. Chakraborty, nominees of the IDBI and IFCI respectively and Mr Anil De and Mr R. B. Larner (Jr) who joined the Board during the year.

Your Company has had its share of problems and anxieties. However, the signs of growth, profitability and improved marketing and extension performance have been significant during the year under review, and this has been due to a very close and happy cooperation of workers and management. I congratulate them for their dedication and loyalty. To Mr J.H. Eckart, who will shortly leave us, a special measure of thanks is due. He came in at a critical time and under his stewardship the Company has moved to strength. He pressed into the service of the Company his broad vision, a sense of realism and an intimate knowledge of technical and human problems. We wish him success in his new assignment. May I also welcome Mr. Larner who will take over from him as the new Managing Director of the Company.

Thank you, Ladies and Gentlemen.

(*Note* : This does not purport to be a record of the proceedings of the Annual General Meeting).

ASSOCIATION MEETING

INDIAN SUGAR MILLS ASSOCIATION

Problems and Prospects of Sugar Industry

By S. K. SOMAIYA

Extracts of Presidential address of Shri S. K. Somaiya delivered at the 38th Annual General Meeting of Indian Sugar Mills Association held at New Delhi on 9th June, 1971.

Over the years no other industry on the food front has attracted as much public attention as sugar, leading to a very close and often overcautious administrative attention. A series of regulatory measures have thus emerged. But there have been frequent changes in policies, however well-conceived adding to the uncertainties in the working of this seasonal industry.

Sugar has been the most rigidly controlled industry even in periods of decontrol or partial decontrol. No flexibility has been left to the Industry so essential to meet ever changing situations.

Background

In the mid-fifties when the Industry was free from controls, North Indian factories showed remarkable progress and expansion. When controls were imposed in the North around 1958, and the South was left relatively free, the major growth impulse was witnessed in the latter area whereas the North stagnated. In fact, the control price structure was so rigid that the finance of most of the North Indian units suffered a severe set-back.

A fair price structure is essential for the vitality and growth of this or any other industry. In fact, Government accepted this premise, and rightly so, in the resolution adopting the 1959 Tariff Commission Report which, inter alia, stated that the cost of production derived from the schedule and the return on employed capital should be allowed so as to "provide sufficient funds for each unit to meet the commitment under bonus and gratuity, interest on borrowed capital and debentures, dividends on preference shares, managing agents' commission, and income tax and finally leave a residue to a large majority of units in all the regions to declare reasonable dividends."

Despite the well enunciated Government policy the Industry was denied a fair return persistently over a period eroding substantially the financial base of many companies.

Further, in the past decontrol was followed in the wake of increased production and satisfactory stock position, with the result that prices generally ruled around or below the fair levels resulting in losses. When, however, prices tended to harden, even by 5 to 10 per cent above the fair price level, controls were hastily reimposed, denying the Industry the opportunity to recoup losses.

Enquiry Commissions

The cost schedules evolved by Tariff Commission and other expert bodies in the past left the Industry with inadequate funds for servicing the capital, apart from rehabilitation and modernisation. In addition, 1969 Tariff Commission proceeded on an erroneous assumption and artificially froze the gross block of the industry at 1966-67 level for computing depreciation on "written down value method", ignoring completely, the substantial investment which had taken place since at considerably higher costs. Consequently the depreciation provided for in the current schedule was in fact only about half of what it should have been, following well accepted accounting principles. The Tariff Commission, as a package deal also allowed Rs 2 per quintal as rehabilitation allowance. However, the Government accepted the recommendation of the Tariff Commission only in respect of depreciation and ignored the one relating to rehabilitation allowance. Thus, industry suffered on both the counts. Moreover the implementation of the schedules too, left much to be desired to the serious detriment of the industry.

Zonal Pricing

The price structure thus evolved for many zones cannot possibly be economic as established by empirical evidence and as such majority of units have not been even able to cover their costs and have consequently found themselves in the red. To remedy the situation there should be a built-in element of cost which would make the price reasonable for a large majority of units.

Current Scheme

Government makes two price revisions during the year; one at the beginning of the season based on estimate of recovery and duration and the second after the crushing season based on actuals. Unlike previous years, in the 1969-70 season Government did not even announce the final prices taking into account the actual working results and the cost escalations. The entire production was released at the highly uneconomic provisional prices, announced earlier in the season.

A still more distressing situation came to prevail during the current season 1970-71 as the Government did not even determine the provisional rates based on the latest available estimates of sugar recovery for various zones and duration of the season which was expected to be shorter. Besides, the basic costs too had gone up due to various statutory provisions like the implementation of the Second Wage Board Award, higher rates of depreciation under the Income Tax Rules, increased cane freight charges etc.

In certain States, even the local levies had gone up. Debt servicing charges also registered a steep increase due to larger stocks that the Industry had to carry for unduly long periods. Prices of consumable stocks and cost of packing too witnessed significant increase.

Government merely continued the provisional rates of the last season 1969-70 during the current season as well and factories were obliged to deliver sugar only on the basis of notional provisional rates regardless of actual costs.

Lower Free Sugar Realisations

On free sugar, realisations were even lower than levy sugar in most regions during the major part of last year. Discriminatory higher excise duty of 37.5% on free sugar, as against 25% on levy sugar was also a contributory factor as for the same selling price it meant lower realisations of at least Rs 15 per quintal on free sugar. Further, the distress was aggravated due to marked disparties in the stock levels in different regions to the serious detriment of units in the high cost zones.

Stocks & Credit

The Industry was further faced with the problem of finance. Against its estimated peak stocks worth Rs. 450 crores, the Industry secured an advance of only about Rs. 260 crores leaving a resource gap of Rs. 190 crores, with the result that during the months of peak stocks, cane payments could not be maintained despite best efforts. The position was further aggravated due to the imposition of stiffer mar-

gins by banks which were later relaxed.

Government spokesmen from time to time indicated that creation of 'Buffer Stocks' as a policy was accepted and details were being worked out. Later Government shelved the idea and the anticipated relief did not materialise.

While facts are so obvious, the industry is almost continuously subjected to uninformed criticism on various counts. The arrears of cane dues have often been cited as an instance, and the case of U.P. and Bihar is often mentioned. While this is a genuine problem, the position is more or less similar in other States as well. The Units managed by Government or those in the cooperative sector are even worst placed. This under-scores the point that a mere mode of management or ownership does not provide a solution.

Mention may also be made here of the impact of the controls on the general well-being of the Industry. Rigorous controls hitherto applied to North Indian factories have since been extended to other States as well. This has adversely affected the performance of the factories in the Southern States, particularly in Tamil Nadu. In this State, the factories had a disastrous season in 1969-70. Almost every unit incurred a loss.

In this context, the appointment of the Sugar Enquiry Commission which has probably the widest terms of reference ever drawn up for any Commission for the industry, under the distinguished Chairmanship of the Ex-Chief Justice of Calcutta High Court, Shri D.N. Sinha is indeed a welcome step. It is hoped that this Commission will deliberate in depth on the fundamental issues responsible for the present health of the Industry and put forth highly objective and pragmatic recommendations which could put the industry on an enduring basis and thus impart the much needed vitality which it so badly needs.

Sugar Decontrol

Government's recent decision to decontrol sugar, apparently as an alternative to price increase, came, somewhat, as a surprise to the industry because the sugar policy is announced at the beginning of the season. The Industry, however, is not averse to decontrol. In fact with its abiding faith in the market mechanism it cannot but think in terms of freedom from controls.

Now that decontrol is a reality, the industry is anxious that it should not turn out to be a short term expediency, and that it would be pursued as a long term policy. For, any policy at best can prove efficacious over a period of time and only a long-term stable policy can be in the ultimate interest of all concerned.

Price Variations

Price variations are a normal feature in a free economy. This should not be viewed critically. The efficacy of the policy of decontrol should not be judged on price variations of minor nature. Market forces should be permitted sufficient time to correct the imbalances.

As for the immediate situation, with sudden change in the pattern of distribution and the large stocks that we have, it is not unlikely that there may be some frequent price fluctuations, as markets will take some time to adjust to the new situation.

To impart the much needed stability to the country's sugar economy on a long term basis, it will be necessary for the Government to initiate necessary follow-up measures.

Follow-up Measures

(1) Monthly releases:—This leverage could be effectively employed for maintainig prices at the desired level. The correct criteria for determining the monthly quantum of releases would be the actual off-take during the previous months, with suitable adjustments for festival demands and slack months.

(2) Bank Credit:—After decontrol banks have imposed higher margins of 30% and are valuing sugar at notional rates lower than the market prices. It is necessary that banks revert to the margin of 14% which is the weighted average rate of levy and free sugar as was applicable before decontrol and also value sugar at market rates.

(3) Excise Rebates:—It is essential that suitable incentives are announced well in advance to compensate the factories fully for higher costs on working during the early and latter part of the season during 1971-72. During the current season, some factories are still working at very low recoveries thereby incurring considerable additional costs and they too should be fully compensated through announcement of suitable reliefs.

(4) Cane Freight:—There have been sharp increases in freight rates during the last two years, 35% and 6% respectively. This would render crushing of rail cane uneconomic and thereby affect production. Necessary remedial measures are called for.

(5) Gur Prices:—For ensuring a steady rising trend in sugar production, it is also necessary to stabilise gur prices at economic level. It is only by maintaining gur prices at an economic level through price support that it will be possible to avoid wide variations in the cane acreage which in turn would ensure a steadily rising trend in production of both gur and sugar.

(6) Cane Prices:—With the decontrol of sugar suitable adjustments in the basis for fixation of minimum cane prices will become imperative to protect the interests of low recovery zones. Further for calculation of individual factories' cane prices, the average recovery for the entire season should be taken into account and the normal statistical method of rounding off should be followed.

(7) Reversal to Specific Duty:—With decontrol of sugar, Government may examine the feasibility of reverting to a specific rate of duty as a measure of simplificiation and stability and for avoiding any speculative tendency in this regard.

(8) Licensing of traders:—In view of decontrol licensing of wholesale dealers has lost its original purpose and therefore should be done away with.

New Capacity

During the Fourth Plan period, Government have provided for a production target of 47 lakh tonnes and have licensed a capacity of 49.65 lakh tonnes. Government have further relaxed the licensing provisions under which no licence would be required so long as the capital investment did not exceed Rs. 1 crore. While such relaxations are generally welcome, it is feared that in the case of sugar, they may tend to distort the planned growth and development of the industry as envisaged by the planners. Government have already excluded half a dozen industries like cotton textiles etc., from the aforesaid relaxation and sugar should also be included therein.

Sugar Exports

With an export of 3 18 lakh tonnes and a foreign exchange earning of over Rs 25 crores, 1970 was a fruitful year in the export field. During the current year too, it has been decided to export the full quantity available under the ISA and the preferential arrangements. Thus the total exports estimated this year are about 4 lakh tonnes, with expected foreign exchange earnings of about Rs. 38 crores.

Sugarcane Development

Sugarcane is the life-blood of the Sugar Industry. It is only by accelerating cane development work that lasting stability in the industry can be achieved.In the Northern region, the cane productivity is comparatively low and thus the development potential there is the largest, but the progress has been rather slow. The main reason for this has been the lack of an effective organisation to channelise cane development activities. Cane development work in Maharashtra as also in the Southern region has made rapid strides because of the sugar factories' direct involvement in cane development. To improve matters, a certain percentage of the area in the factory zone should be earmarked for the purpose of cane development which should be available to such factories who want to undertake cane development work.

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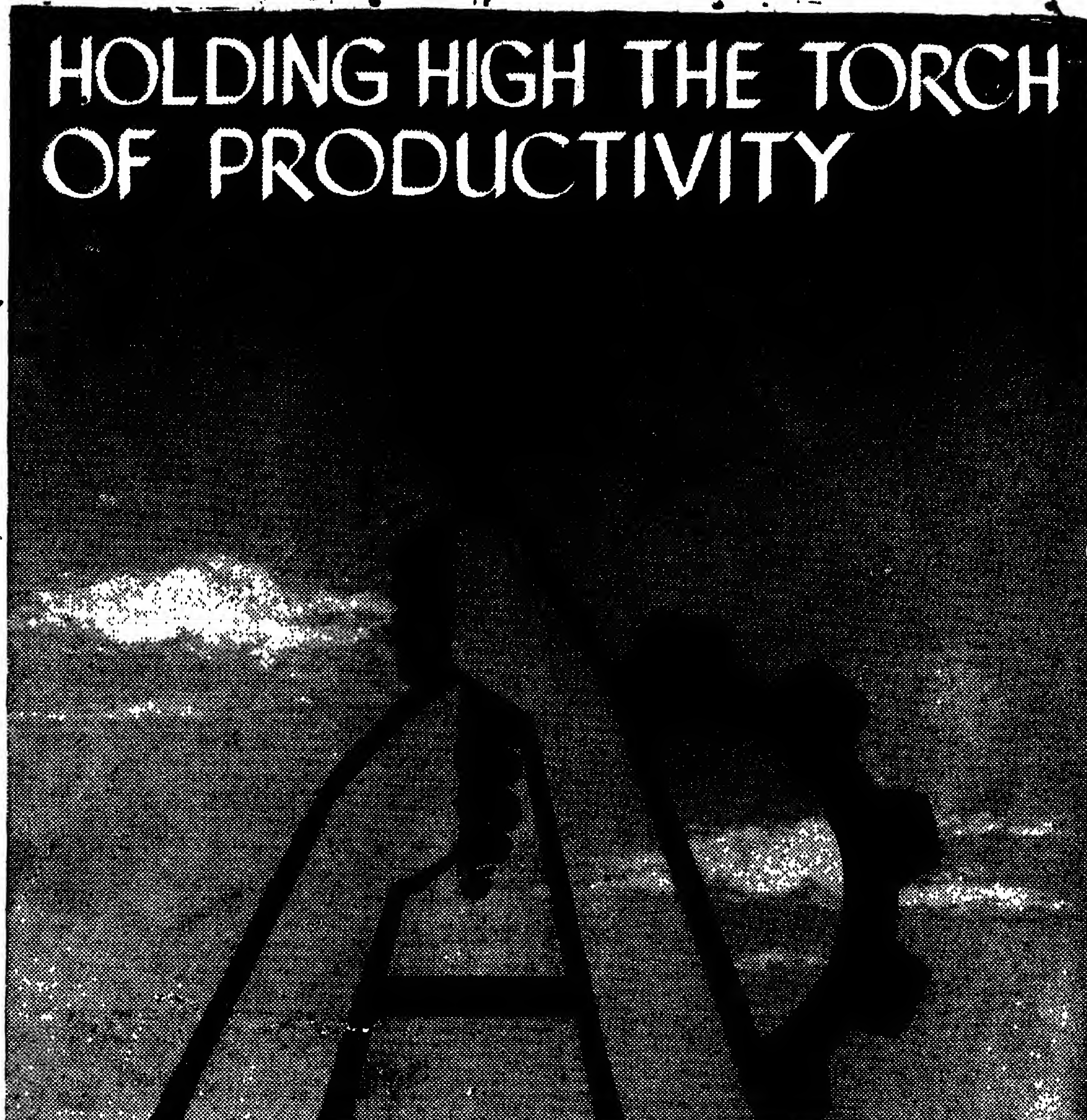
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EASTERN 25 ECONOMIST

RUPEES 1.50 JUNE 18, 1971 VOL. 56

Not a Matter of Maida

'Mini' Fashions in Steel

Swallowing the Camel

The Metal with Myriad Uses

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NOT A MATTER OF MAIDA

IN HIS reply to the general debate on the budget in the Lok Sabha, Mr Chavan has treated his critics not merely casually but with a certain contempt. By refusing to make any other changes in his scheme of taxation than the withdrawal of the proposed excise levy on *maida* and coarse cloth, Mr Chavan has served notice that his party is even prepared to risk the slowing down of the industrialisation of the country in its selfish and stubborn pursuit of its political interests. Having secured power through the unrestrained and unashamed practice of demagogy, Mrs Indira Gandhi and her colleagues have apparently chosen to maintain themselves in power through the same means. Their much advertised war against mass poverty has in fact turned out to be a class war against those sections of the community which they consider to be politically dispensable in the context of adult franchise. The budget has attacked with short-sighted but single-minded animosity the entire range of impulses to growth in the economy, particularly in the areas of commerce and industry.

The real evil a budget of this kind could and would do to the country, however, is not the immediate or specific damage it may cause but the process it has inevitably started of stimulating a destructive appetite which must grow by what it feeds on. Mr Chavan in fact has threatened that his tax measures are not the end of the story even with regard to the current financial year. He has conceded that the undefined demands on the government's resources which the refugee influx represents have imparted a tentative character to the expenditure estimates of the budget and that the government may therefore have to come before the country even earlier than February next with proposals for raising more revenue.

While the emergency created by the refugee influx is to some extent a development beyond the control of the Government of India, what cannot be condoned is the irresponsibility implicit in the decision of the Finance Minister and particularly his chief, the Prime Minister, to burden the government with avoidable current obligations elsewhere in the budget. No government which is really conscious of the pressures on the nation's resources which have been generated or are likely to be generated by the refugee influx could have had the audacity to think in terms of substantially increasing its Plan commitments just now.

These are days which call for the most rigorous discipline in the conduct of the government, particularly in the way it pledges public revenues to various programmes. It is therefore most regrettable that the government has thrown all caution to the winds and has chosen to travel in a direction in which clearly lie dangers to the economic stability of the country. It is indicative of its cavalier way of thinking that the Finance Minister should have threatened the country with the possibility of a special cess to finance the proposal in his party's manifesto for what is flamboyantly described as a children's charter. If it is Mr Chavan's argument that the government cannot practise economy or discrimination in the vast total of its spending even to the extent of saving Rs 10 crores a year for a nutrition programme, the short answer to him is that either he is extremely naive or the government of which he is a member shockingly cynical.

In fairness to Mr Chavan, however, it must be said that some of the critics of the budget at least did deserve to be dismissed with the crumbs he has thrown to them in the form of the withdrawal of the proposed central excise duty on *maida* and the cancellation of the proposed increase in the excise duty on coarse cloth. One of the most lamentable aspects of post-budget discussions was the trivial nature of the observations of some of the commentators. Even Mr M.R. Masani, who ought to have known better, chose to apply a disproportionate share of his mental effort to denouncing the taxing of lipstick. No wonder the Finance Minister has chosen the easy way out shown to him by such shallow reactions and attempted to gain for himself an image of responsiveness by giving up the proposal to tax *maida*—as if it matters at all whether *maida* is taxed or not in this budget. Our grievance against this budget must be not so much about the particulars of its excise duty proposals or even direct tax measures as about the relentless campaign its philosophy and policy have now launched against every impulse or resource of economic expansion on which alone rests both the growth of national wealth and the welfare of those many millions of ordinary men and women who are not in a position to dream of personal enrichment through political self-aggrandisement.

Prospects for Import Substitution

In his budget speech on May 28, the Finance Minister, Mr Y.B. Chavan, expressed satisfaction at the progress made by the country in import substitution. It is indeed true that the programme of import substitution has worked well in many fields especially in respect of industrial machinery, certain chemicals, and in some other industries. For example, the share of imports in the total supplies of sugar mill machinery has come down drastically from 100 per cent in 1950-51 to 1.3 per cent in 1969-70, of textile machinery from 67.6 per cent in 1955-56 to 31.36 per cent in 1969-70, and of machine tools (metal working) from 89.9 per cent in 1950-51 to 42.8 per cent in 1969-70.

Other industries where significant reduction in imports has been achieved are iron and steel, aluminium, soda ash, caustic soda, bicycles, sewing machines, paper and paper board, and ammonium sulphate. The table below shows the share of imports in the total estimated supplies of the above items.

The feature "Books Briefly" will appear in our issue dated June 25.

Though the progress in import substitution in respect of these industries seems satisfactory, there are many others where the country has not made much headway. This is particularly true of raw cotton and raw jute. In 1955-56 the share of imports in the total supply of raw cotton was 1.23 per cent. The supply in that year amounted to 4.96 million bales of 180 kgs. But in 1969-70 the percentage of imports was practically the same, namely, 11.9 per cent, the total supplies being 6.83 million bales of 180 kgs. In the case of raw jute the share of imports in the total supplies was 6.5 per cent in 1969-70 as compared to 4.0 per cent in 1968-69, and 35.1 per cent in 1950-51.

The production of jute and cotton, despite their great importance to the country's economy and exports, has remained practically stagnant. The production of jute (including mesta) was 6.8 million bales in 1969-70 compared to 6.6 million bales in 1966-67 and cotton (lint) 5.2 million bales against 5.0 million bales in the same period. Measures to improve the productivity of these and other commercial crops have been under discussion and consideration for several years but the progress in implementing them has been tardy, one main reason being the indifference of the state governments concerned. Meanwhile, the cost of importing these raw materials continues to go up. In 1969-70, for instance, the raw cotton imports cost Rs 82.8 crores. The import of raw jute in 1968-69 was valued at Rs 9.3 crores. In the next year, there was a sharp reduction to Rs 1.1 crores but the fact remains that the country again faced a shortage of raw jute in 1970-71. It is not clear how exactly the government is going to persuade the state governments to give serious attention to this urgent problem.

So far as import substitution of industrial products is concerned, further progress will depend on the speed with which we are able to implement the various schemes of industrial development. Apart from the dilatory procedures in regard to industrial licensing, the delay and the high cost involved in obtaining raw materials appear to slow down the progress in import substitution. Our country continues to rely heavily on imported raw materials. In 1970-71 (April to October) our country imported raw materials and intermediate manufactures for Rs 516.5 crores, of which the more important items were cashewnuts, copra, crude rubber, raw wool, cotton, jute, oil (crude), chemical fertilizers, iron and steel, and non-ferrous metals. Most of these imports have now been canalised through the public sector agencies. But this procedure seems to have made imports costlier in many cases.

For instance, at the conference on raw materials, sponsored by the Engineering Association of India in New Delhi in May this year, it was pointed out that the canalisation of non-ferrous metals through the Minerals and Metals Trading Corporation (MMTC) was causing delays and difficulties. It was stated that the prices charged by the MMTC were "very high" and that they did not reflect the trends in the international prices of metals. The MMTC's charges were also said to be excessive. It was pointed out that if the industries were directly allowed to import copper and other non-ferrous metals, the prices would have been substantially cheaper.

The President of the Indian Paint Association, at its annual meeting in Calcutta on June 4 this year, said that in regard to the import of raw materials for the paint industry there was "a substantial mark-up on account of the STC's expenses, overheads, and profits and by way of their distributors' commission on the ex-godown sales."

PERCENTAGE OF IMPORTS IN TOTAL ESTIMATED SUPPLIES

Industry	Unit	1950-51	1969-70
Iron & steel	(000 tonnes)	(a) 1391 (b) (25.2)	5202 (8.0)
Aluminium	(000 tonnes)	(a) 14.7 (b) (72.8)	137.6 (1.8)
Soda ash	(000 tonnes)	(a) 75 (b) (40)	427.2 (Negligible)
Caustic soda	(000 tonnes)	(a) 34 (b) (64.7)	360.3 (Negligible)
Bicycles	(000 numbers)	(a) 264 (b) (62.5)	1914 (Negligible)
Sewing machines	(000 numbers)	(a) 56 (b) (41.1)	328 (0.3)
Paper & paper board	(000 tonnes)	(a) 151 (b) (23.2)	737 (1.8)
Ammonium sulphate	(000 tonnes)	(a) 423 (b) (88.9)	1399 (56.5)

Note (a) Total estimated supplies
(b) Percentage of imports to total estimated supplies.

There is also the problem arising from the payment of sales tax on goods imported through the public sector agencies. Although an attempt has been made to solve the problem of sale tax by transferring the documents on the high seas, it is reported that there have been many practical difficulties in making this arrangement. The experience of various other industries in regard to canalisation has been far from encouraging. In addition, the imposition of increased import duties on machinery and many raw materials in the budget for 1971-72 is likely to slow down to some extent the pace of our industrial development.

If therefore the country is to make faster progress in import substitution in the years ahead it is essential that not only the economic policies should become less restrictive but administrative efficiency should be improved at every level. The scope for import substitution is vast indeed but it is for the government to accelerate the pace by appropriate changes in policy and procedure as well as in their implementation.

'Mini' Fashions in Steel

THE CENTRAL government deserves to be complimented on its recent decision to allow the setting up of "mini-steel plants" based primarily on scrap. The establishment of nine such units has already been approved. When working to full capacity, they will be producing 440,000 tonnes of mild steel — 410,000 tonnes in the form of billets and 30,000 tonnes in the form of ingots. The individual capacities of these plants ranges from 30,000 tonnes to 80,000 tonnes, but mostly they will be between 40,000 and 50,000 tonnes. Two units will be set up in the state sector, six in the private sector and one in the joint sector.

Whether the grant of permission to private entrepreneurs for the setting up of mini steel plants has violated the Industrial Policy Resolution of the government is a question fit only for sterile controversy, for there can be no denying the fact that they would go some way in relieving the acute shortage of steel which is likely to persist even after the commissioning of the Bokaro steelworks. The spreading of these units over various states should relieve the pressure on the transport system; presently iron and steel have to be moved over long distances from the existing five integrated steel plants.

Other points in favour of mini-steel plants are: (i) their low capital cost, and (ii) their short gestation. A 50,000-tonne unit is estimated to cost about five crores of rupees only—a capital block of just Rs 1,000 per tonne, as against the latest estimate of Rs 2,500 per tonne in the case of Bokaro at its target capacity of four million tonnes. The mini-steel plants can be set up in a couple of years, as against the much longer period required to put up a large integrated steelworks. The mini-plants can further be expected to be less vulnerable to labour trouble. The calls they would make on managerial skills and capabilities should also be modest.

Of the nine units which have been approved so far, only two — those of TISCO and Punjab State Industris Corporation — will be producing steel from iron ore. A significant point to be noted in regard to these two units is that only carry-on-business licences have been issued to them. Thus, according to the present decision, steel manufacture in the mini-plants is envisaged to be primarily from scrap. Fourteen more applications for putting up mini-steel plants are understood to have been forwarded by the Ministry of Steel, after due processing, to the Licensing Committee for final decision. Still another 18 proposals are under consideration in the ministry.

The seven mini-plants based on scrap will be making use of the continuous casting process which eliminates the ingot-making stage. The continuous casting equipment is proposed to be imported for the present as the Heavy Engineering Plant at Ranchi, which is to be the ultimate indigenous source of supply of this equipment, will not be able to make it available expeditiously.

The government may now consider allowing private entrepreneurs to manufacture sponge iron in small units. Some proposals in this connection are understood to be under consideration. An early decision on them is called for. Sponge iron can replace scrap in making steel by arc furnaces.

Another interesting development that has recently taken place in steel

STEEL MANUFACTURURE: MINI UNITS RECENTLY SANCTIONED

Party	Location	Capacity (tonnes)	Process
1. Krishna Steel Industries	Bombay	50,000 (billets)	Scrap melting, continuous casting.
2. Electro Steel Castings Ltd	Ghaziabad	40,000	Do.
3. Steel Complex Ltd, (Equity participation by Kerala Industrial Corpn.)	Feroke (Calicut)	50,000 (billets)	Do.
4. Rathi Alloys and Steel Ltd	Ghaziabad	40,000 (billets)	Do.
5. S.N. Agarwal	Bangalore	50,000 (billets)	Do.
6. Andhra Steel Corporation	Bangalore	50,000 (billets)	Do.
7. Orissa Industrial Development Corporation	Not yet known; Somewhere in Orissa.	80,000 (billets)	Do.
8. Punjab State Industrial Development Corporation	Ludhiana*	50,000 (billets)	Conventional from iron ore.
9. Tata Iron and Steel Company.	Adityapur*	30,000 (ingots)	Do.
Total Capacity		440,000	

*Carry-on-business licences.

manufacture is the production of steel by using non-coking coals. Known as the Bharati process, this steel-making complex consists of a gasification plant, a reactor for reducing iron ore, a power station to utilise excess thermal power released from the gasification plant, an arc furnace to convert iron into steel and a continuous casting unit. A pilot project using this process is said to have already been set up by Koppers in West Germany. The Central Engineering and Designs Bureau of Hindustan Steel at Ranchi is also examining the feasibility of commercial exploitation of the Bharati process.

Borrowing Without Bother*

WHICHEVER WAY one looks at the central budget for 1971-72, the impression cannot be resisted that the Finance Minister, Mr Y.B. Chavan, has grossly underestimated revenue and capital receipts and the overall deficit has been needlessly magnified. It would have been normally expected that an attempt would be made to revise the capital budget and reduce its deficit but the target for borrowing through open market loans has not been revised and additional credit has been taken for Rs 25 crores only in respect of collections under the small savings campaign and for Rs 40 crores in respect of spill-over PL 480 funds.

The increase in receipts under these heads has been neutralised as there is also an increase in capital disbursement to Rs 2,395.89 crores in the latest budget from Rs 2,304.09 crores in the earlier estimates for 1971-72, presented to Parliament in March. As capital receipts have risen to Rs 2,023.54 crores from Rs 1,949.59 crores, the deficit in the capital budget is higher at Rs 372.15 crores against Rs 354.50 crores in the interim budget and the overall deficit has swelled to Rs 396.90 crores from Rs 229.57 crores in the revised budget for 1970-71. The capital budget deficit, however, is less as compared to the previous year's figure of Rs 417.71 crores (1970-71 revised) on account of technical adjustments.

It would have been normally expected that net borrowing through open market loans would have been assumed on the much larger scale than now anticipated because of the prospect of a faster growth in deposits of scheduled commercial banks, bigger additions to the assets of the Life Insurance Corporation and larger credits at the disposal of provident funds and trusts. Even so, gross borrowing is unchanged at Rs 500 crores though higher than the amount of Rs 427.59 crores for 1970-71 (revised). Net borrowing will, of course, be higher at Rs 167.90 crores against Rs 136 29 crores, though there is not much improvement over the original estimate for last year when it was expected that net borrowing would be of the order of Rs 161.70 crores. The government presumably refrained from effecting reissues of earlier loans because of the contra-seasonal trends in April-October '1970 and sizable open market sales by the Reserve Bank.

It was also necessary to issue compensation bonds to the erstwhile major banks for taking over their business, in the form of 4½ per cent 1979 bonds for Rs 6.70 crores and 5½ per cent 1999 bonds for Rs 71.62 crores—in all for Rs 79.32 crores. The total borrowing should be much more than Rs 550 crores. Indeed, net borrowing should have been easily Rs 250 crores, if the realisations by the Reserve Bank through open market loans and the debt created by the government for paying compensation are taken into account. It is learnt that many erstwhile banks have been successful in marketing their bonds and realising cash, which would have meant that the banking system and other credit institutions have increased their investment portfolios correspondingly. The government for its part is deriving substantial benefit out of compensation bonds because it is reported that the net earnings of the 14 major banks have been satisfactory in 1970 and there willhenceforth be a continuing rise in these earnings with a growth in deposits and advances.

The Finance Minister has not probably chosen to increase the revised estimate for gross borrowing for 1971-72 because of the need that may arise for issuing compensation bonds to the general insurance companies when their ownership is finally taken over by the government. In view, however, of the smaller volume of net assets that will be taken over and of the need for evaluating carefully outstanding claims and unexpired risks, the amount of compensation may not be more than

*The first phase of the government's borrowing programme, announced on June 14, consisted of three loans with 7, 15 and 30 years' maturity and of the total value of Rs 375 crores. As much as Rs 332.10 crores will be utilised in the repayment of the 4·5 per cent Loan, 1971, which will fall due on July 1 this year. It follows that net receipts would be of the order of Rs 42·90 crores only.

Eastern Economist 25 Years Ago

JUNE 21, 1946

Reports from Washington indicate that the International Trade Conference originally proposed to be held this month is not to meet until the second half of 1947. The US Government, further, is not expected to enter into reciprocal trade agreements with Britain or any other country for mutual reductions in tariffs and preferences. Nor will the question of British Empire Preference be taken up until late in 1947. There are quite a number of reasons, closely connected with US domestic political and economic circumstances for this sudden waning of enthusiasm for the Trade Conference and for its postponement by nearly a year. The most important among them is the gradual weakening of the bargaining position of the USA on account of the inflationary situation and greatly increased production costs in America which, it is feared, will make US goods too costly in relation to those of other countries and also will render US tariff reductions very difficult. American position on the question of preferences is also weakened by the provision for the continuance of the preferential basis in American Philippines trade for 20 years. To these circumstances might be added the complications of raising a controversy in the middle of elections to be held in November.

Rs 50 crores. Even if a generous approach has to be adopted for determining the quantum of compensation payable to general insurance companies and a larger amount has to be provided, the central government is in a position to raise as much as Rs 300 crores (net) through issue of various loans.

It would not have been anticipated in March this year that the borrowing programme of the centre can have smooth sailing early in the slack season as there was an unprecedented squeeze in the money market and the inter-bank call rate was at particular stages quoted as high as 13½ per cent. The conditions now prevailing are, however, in sharp contrast to those noticed during the peak of the last busy season. There is presently a remarkably comfortable position in the money market which was not notified at this time last year. The adjustments carried out by the central government in the past few weeks, the quicker absorption of manufactured goods and bigger additions to deposits have been responsible for a big drop in borrowings of scheduled commercial banks from the Reserve Bank to Rs 131 crores from the peak level of Rs 443 crores. Even during the corresponding week in 1970 these borrowings were much higher at Rs 266 crores. There has no doubt been an increase latterly in advances and a rise in borrowings from the lowest level.

It can, however, be expected that by the end of June, there will be a big addition to deposits apart from the contraction in advances against sugar, cotton and other items. The fresh needs for financing procurement operations can thus be found to a great extent out of releases of resources locked up in other directions. Even otherwise, it will be possible to make good use of the refinance facilities against advances for procurement purposes. It is, therefore, felt that there may not be an increase in borrowings of member banks from the Reserve Bank to any great extent in the next few weeks. In any case, these borrowings could be effected on a concessional basis and liquidated later in July-September after the procurement operations had been completed and there was a fresh growth in deposits.

The Reserve Bank will have to take a decision with regard to the manner of issuing new central loans before long as the 4½ per cent 1971 loan falls due for repayment on July 1, and is outstanding to the extent of Rs 332.10 crores. The terms of the new loans have, therefore, to be announced sometime in the third week of the current month and the list for cash and conversion applications opened on July 1.

In 1970-71, the borrowing programme was completed in two stages. A long-dated loan, 5½ per cent 2,000 was issued in April for redeeming the 4½ per cent 1970 loan. In the second stage, 5½ per cent 2,000 loan was reissued along with a new loan, 4½ per cent 1977 in October. Thereafter no attempt was made to offer new loans and the net borrowing, as stated above, was Rs 136.29 crores.

In view of the fact that there is only one maturing loan in the current year, the question arises whether the borrowing programme can be completed in one effort and the state governments allowed to have their own way later in August. Having regard to the distinct improvement in conditions in the money market, it will not be difficult to make a success of the conversion programme and raise a sizable amount also in cash. Since usually Rs 30 or 40 crores will remain unconverted it will be advisable if an attempt is made to raise only a gross amount of Rs 400 crores in the first week of July and the balance of Rs 100 crores early in October, as on the last occasion. If this procedure was adopted, it will be possible even to mobilise over Rs 150 crores in the second tranche of the borrowing programme.

There is speculation over the terms of the loans as it is being wondered whether the Reserve Bank will raise the rate of interest on the long dated loan which will be offered for mainly conversion purposes. Logically, there should be an increase in the rate of interest, because of a higher bank rate, to 5¾ per cent with a thirty-year maturity if the loan is to be issued at par. In view, however, of open market sales in 5½ per cent 1995 loan being effected at Rs 99.35 and the upward adjustments in selling prices in the case of loans with earlier maturities, it will not be surprising if the government eventually decides to issue a long-dated loan maturing in 1996 or thereabout for Rs 400 crores.

If this procedure is followed, a decision about a change in interest rates can be taken after the state loans are out of the way when issuing the central medium-dated loan. The state governments have to issue their loans in the third week of August as the 4 per cent 1971 loan is maturing for repayment on August 19, 1971. The Maharashtra government 4½ per cent 1971 loan repayable on July 15, can of course be redeemed by paying cash to the holders. What is interesting to note is that the outlook for the central and state government loans is quite promising and it will not be difficult to ensure their success as the support will be forthcoming mainly from institutional investors.

Swallowing the Camel

V. BALASUBRAMANIAN

IN A MOOD of near-despair, unbecoming of the "committed" civil servants of the brave new world which the last general election is supposed to have created in New Delhi, the draftsmen of the Economic Survey this year have declared that "the lessons of our experience with controls and also of the various schemes for the backward regions seem to be definitive in one respect; while restraints may be made to work, stimuli often do not."

Although this *obiter dictum* has been pronounced specifically with reference to the problem of attracting economic activity to backward areas, its spirit seems to have informed the central government's approach to a whole range of issues of economic policy as is evident from the fiscal proposals of the latest central budget.

Take first Mr Chavan's proposals in the area of income-tax. The Finance Minister presumably has no faith in stimuli as a means of encouraging people to earn more or save more out of their improved incomes. On the contrary, he appears to have relied heavily on his scheme of taxation to act as a deterrent to non-saving in respect of persons who already have managed to earn relatively large incomes. By stepping up the surcharge on income-tax in respect of incomes exceeding Rs 15,000 he has raised the burden of the income-tax to such an extent as to force affected assessees to avail themselves of every tax concession or relief available to them so that they may effect some reduction in tax liability.

Without Option

This means that assessees with an income in excess of Rs 15,000 find themselves without any option in the matter of qualifying to the full quantum of deduction available in respect of long-term savings through life insurance, provident fund contributions, etc. Whatever his family circumstances may be an assessee especially if his income exceeds Rs 15,000 finds himself virtually forced to divert a substantial part of his earnings to these long-term savings since not to do so would be to attract severe fiscal punishment in the form of a sharply increased liability to income-tax. The Finance Minister, in other words, has put into operation what is more or less a scheme of compulsory savings for assessees at higher levels of income.

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Normally the concept of compulsory savings is considered to be suitable for persons whose propensity to save is weak. In the past, attempts were made to frame compulsory savings schemes as a part of the income-tax. Thus Mr Morarji Desai introduced the short-lived compulsory deposit scheme which was replaced by Mr T. T. Krishnamachari's annuity deposit scheme which, again, was wound up by Mr Morarji Desai when he once again became Finance Minister. There has been a great deal of talk about compelling certain classes of people, particularly textile mill workers or other groups of workers in organised industry, to save part of their earnings through government-sponsored schemes. In practice, however, compulsion has been actually used only for exacting savings from income-tax assessees at the higher levels of income.

Simple Expedient

It goes to the credit of Mr Chavan that he has caused this process to take a great leap forward by the simple expedient of making the burden of the standard rate of income-tax pronouncedly onerous. Such of us as may care for economic analysis are bound to wonder whether the use of compulsion to this extent against persons who have naturally a high propensity to save can serve any worthwhile economic purpose. Especially where the standard rate of taxation is used as a deterrent to not saving as is the case at present, the possibilities are that, although the Finance Minister may succeed in exacting larger savings for the time being from current incomes at higher levels, his policy may well slow down the rate of savings over a period of years since the higher standard of taxation may cut into the willingness of people to earn more and consequently into their ability to save more. A bird in hand is worth two in the bush is a maxim which may be safe enough for an unenterprising Finance Minister, but it cannot be a sufficient guideline for action to any government which may aspire to think of the future in big terms.

It is no doubt possible to sympathise with the Finance Minister when, at one place in his speech where he deals with the corporate sector, he complains that the concessions and reliefs extended to companies from time to time by his predecessors have not always been logical. Mr Chavan has pointed out, in particular, that there is no justification for including debentures and long-term borrowings in the computation of capital employed in respect of tax exemption accorded for a period of five years to new industrial undertakings, ships and approved hotels to the extent of profits up to 6 per cent of the capital employed. Mr Chavan has put an end to what he regards as "generosity on the part of the government to extend the tax holiday provision even to such constituents of capital" as they "do not in any manner risk capital." He has further justified his action by pointing out that interest on debentures and long-term borrowings is in any case deducted in calculating assessable income.

Himalayan Illogicality

The Finance Minister here has no doubt a valid case but this is so only up to a point. He forgets that the various fiscal concessions or reliefs, which have been provided to the corporate sector in the previous budgets, whether logical in themselves or not, do possess the basic validity that, but for them, the burden of the standard rates of tax would have crossed the limits of tolerance. If Mr Chavan is really sensitive to fiscal illogicalities, what he must shrink from first and formost is the Himalayan illogicality of the basic tax structure itself. It is strange that he is prepared to swallow the camel of the major illogicality of the basic tax structure but is straining at the gnat of the minor anomalies of a few reliefs here or concessions there.

The Finance Minister's corpus of proposals on the taxation of companies has the effect of enhancing directly or indirectly the effective tax burden on the corporate sector. This being so, few are likely to be taken in by his plea that he finds it impossible to tolerate what he considers to be anomalies in the total scheme of corporate taxation which he has inherited. There is little evidence that he is motivated by any genuine reformist zeal. What he is evidently after is his pound of flesh from the corporate sector and when he shows so much enthusiasm for arguments which would buttress his fiscal proposals for companies it is not be-

cause he finds their intellectual appeal impossible to resist but because he has a keen appreciation of their expediency. To make a convenience of logic comes easily to the politician.

A great deal more than logic is involved, however, in Mr Chavan's move to eliminate or limit the various tax concessions or reliefs which his predecessors in the Finance Ministry have found it desirable to extend to the corporate sector, particularly for the benefit of new industrial undertakings. The reduction of the special tax exemption enjoyed by the priority industries from eight per cent of their profits to five per cent and the removal of certain industries from the priority list, the notice served on industry that the development rebate would cease after May 31, 1974, and above all, the increase in the rate of surtax on companies must result in a tightening squeeze on the investment resources available to the private sector. Not only will capital formation in the corporate sector be affected adversely and the funds available for further industrial expansion thereby restricted but the cash flow in the books of business concerns will also suffer. At a time when the corporate sector is finding so many difficulties in securing sufficient bank credit or other working funds, this increase in the tax liabilities of companies would surely place obstacles in their way in maintaining current production.

Unsatisfactory Situation

Thanks to government policies pursued over a period of time, the corporate sector in this country has been made unduly dependent on public or semi-public financial institutions. The present budget proposals would accentuate this unsatisfactory situation just when the government is becoming both less able and more unwilling to provide for the financial needs of corporate growth, especially in the large-scale sector, through its agencies. The Finance Minister is thus taking unwarranted risks with the industrialisation of the country. His basic assumption that the increased taxation of higher levels of income or wealth, both individual and corporate, would be available for stepping up the rate of public investment and thereby building up the tempo of economic growth appears to give far too many hostages to fortune.

The government has been historically unable to increase its quantum of productive investment in the economy in consonance with the larger and yet larger drafts which it has been making on the community's resources through increased taxation year after year. It is clear that its record in this respect is unlikely to improve in the current fiscal year or indeed in the foreseeable future. While an impressive corpus of theory can no doubt be put together in support of the view that the rate of saving in the economy would substantially move up only by the government activity and aggressively strengthening the role of public saving, both experience and common sense warn us that the economy is likely to be impoverished rather than enriched by the government indiscriminately raiding savings or capital formation in the private sector for the benefit of a truly bottomless public exchequer.

The Metal with Myriad Uses

S. P. CHOPRA

THE TWO-DAY seminar on "Aluminium — the modern metal" organised by Hindustan Aluminium Corporation Ltd, (HINDALCO) in the capital on May 26 and 27 proved useful on two counts. First, it highlighted the necessity of increasing the production of this metal which can save valuable foreign exchange by replacing some of the non-ferrous metals (especially copper) which are currently being imported. Second, it brought out clearly the relationship between electrification and the aluminium industry. Half of the aluminium produced in our country is consumed by electrical industries. Again, to produce one tonne of aluminium from bauxite — the raw material from which this metal is obtained —as much as 20,000 kwh of energy is required. Aluminium and electricity are thus highly inter-dependent. The consensus at the seminar was that all attempts should be made to enhance the production of this metal and the government should be persuaded to take all such steps as would encourage its unhampered growth.

Crucial Significance

Dr K.L. Rao, Minister for Irrigation and Power, who inaugurated the seminar, described aluminium and electricity as twins born in the last century; the growth of one relied upon the development of the other. Raising the standard of living of the people in the rural areas required the carrying of power to villages which, he said, was possible only through aluminium cables, this country being heavily deficient in copper. Mr S.S. Kothari, President of HINDALCO, also underlined the crucial significance of this metal to our country by pointing out that aluminium is the only non-ferrous metal for the production of which we have abundant resources. The bauxite reserves, it has been estimated, can support a large aluminium industry with an annual capacity of 500,000 tonnes for more than a hundred years. This is on the basis of known and proven reserves. However, large areas containing bauxite still remain to be explored.

During the past decade in particular, this industry has taken rapid strides in our country. In 1960, the production of aluminium was a little more than 18,000 tonnes; last year its production exceeded 161,000 tonnes — almost eight-fold rise in 10 years. If the present trend in demand for this metal continues we will need as much as 275,000 tonnes of aluminium by 1973-74. Incidentally, HINDALCO is the largest producer of aluminium in our country; its present capacity at 80,000 tonnes is expected to increase to 120,000 tonnes within the next two years.

Major Consumers

Next to electrical industries, the other major consumers of aluminium in our country are domestic utensils and appliances, transport, canning and packaging, building and construction and miscellaneous. In advanced countries where power consumption has already reached a significantly high level, the use of aluminium for electrical industries is not large. It varies between 6 per cent of total output in Japan to 13 per cent in the UK. It follows that in our country as well after the attainment of a high level of power consumption, aluminium would be used increasingly for other industries.

In a special paper presented at the seminar Mr Prem Pandhi, Director, Metal Box Co. of India Limited, indicated that efficient aluminium packaging would provide an answer to the problem of conservation of food. The popularity of aluminium foil as a large packaging medium was increasing and new industries were making extensive use of it. He listed such diverse industries as dairy products, biscuits, cigarettes, tea and coffee, soaps and cosmetics as those which have taken increasingly to the use of aluminium foil. Interesting papers were read describing the expanding use of aluminium in building and architecture, railways rolling-stock and various other industries

While there has been a steady rise in prices in general for the last few years, aluminium is the only metal which has maintained stable prices

since 1966. Mr S.S. Kothari pointed out that, despite the sharp increase in the prices of raw materials used for producing aluminium, its price had remained unchanged all these years. The price of indigenous cryolite is at present three times the price paid in 1966. The prices of other raw materials such as caustic soda, aluminium fluoride, hard pitch, calcined petroleum and coke have also been on the increase but the price of aluminium has not been raised.

The claim was made by the spokesman of HINDALCO that substantial sums of money were being invested in research and development. HINDALCO it was stated, has evolved a new aluminium alloy named Hindalium which is specially suitable for making utensils. Hindalium is reported to have the strength and durability of stainless steel and the glitter of silver while it costs only one-third the price of stainless steel. HINDALCO is presently engaged in the discovery of alloys suitable for use in bicycles. The need for spending increasing sums of money on R&D has been emphasised from various forums in recent years and HINDALCO seems to be fully aware of its utility.

Funds for Research

The seminar, however, indicated that the area where research was needed was vast and that the funds currently being spent for this purpose were insufficient. For example, there is the well-known prejudice against aluminium utensils for use in the kitchen. Some of the participants in the seminar quoted facts to show how increasing use was being made of aluminum in advanced countries for utensils and domestic appliances. This was given as a reason to prove that aluminium was safe for use in the kitchen, though it left many a participant unsatisfied. It is, therefore, necessary to take up this aspect for research so as to produce conclusive evidence in support of the harmlessness of the use of aluminium utensils in the kitchen.

Aluminium is also being used increasingly in Defence. According to Mr Joy Joseph, Director (Planning), Ministry of Defence, Defence consumption of aluminium had been increasing at a galloping rate. In addition to the use of aluminium cables and containers, this metal was being used in marine applications including ship-building, aircraft, combat vehicles, bridging equipment, specialised vehicles and in ordnance items. The relatively lower cost and easy availability of aluminium, in his opinion, would promote the use of aluminium in small projectiles, cartridges, shells, mines and bombs.

The key to the expansion of this industry lies in the supply of cheap power and a price policy which allows a part of the earnings to be retained for ploughing back. The incidence of excise duty (30 per cent) coupled with control on prices is imposing a constraint which is likely to hurt the progress of this industry. Moreover, despite the immense availability of bauxite, the sanctioned capacity of aluminium units has been kept low by the government. It is necessary that these hurdles should be removed for allowing steady growth of this industry.

Industrialisation with a Social Purpose

R. V. MURTHY

When asked how one should view the central budget, an economist said it should be judged from three angles, viz. mobilisation of national savings, export promotion and price stability, besides, of course, creation of additional employment opportunities. It is debatable whether the latest budget has substantially helped any one of these. But no one can doubt that a really well-managed industrial undertaking contributes materially to these ends.

Take the case of Nirlon Synthetic Fibres and Chemicals Ltd, whose nylon tyre cord plant was inaugurated by Mr V.P. Naik, Chief Minister of Maharashtra, on June 5. The Nirlon textile yarn plant of the company, went into production in 1963, with just 400 tonnes annual capacity of nylon yarn, but today, including the "Nirester" (a newly developed polyester filament yarn) the plant produces 2700 tonnes of yarn per year; over this short span of time, the gross block has grown from Rs 2.75 crores to Rs 12.75 crores; the staff has increased (besides the 300 persons absorbed by the new tyre cord plant) from 300 to approximately 1400 (in addition to this direct employment, the company also keeps some 2000 weaving units, which employ about 100,000 persons); and the company has now exported Rs 2.50 crores worth of its products to several parts of the world. As against cent per cent imports of nylon tyre cord until last year, the country is now required to import only two-thirds of its total requirements.

Success Story

As Mr Naik observed whilst inaugurating the tyre cord plant, this only shows that where there is a will there is a way. Whoever thought a few years ago that India would not only take to the highly sophisticated petrochemical industry developed only lately by the industrially advanced countries but also make a success of it? The Chief Minister of Maharashtra, who must be proud of having added one more "first" to the list of the state's "firsts", fittingly congratulated the Nirlon management, for having first begun its nylon textile yarn plant and now its nylon cord plant. Mr Pramod Javeri, Managing Director of Nirlon, pointed out that while adding to the glittering record of the State of Maharashtra (which has fielded many a first) Nirlon's new nylon tyre cord plant was also "the first plant of its kind in India".

Heavy Duty Use

Lest, in these days of "Garibi Hatao" socialism some one starts speaking of a highly sophisticated commodity like nylon as a luxury item, it is necessary to mention here that nylon tyre cord is needed to meet the heavy duty tyre requirements of our trucks, buses and tractors. There are over 400,000 trucks and buses and 500,000 cars and jeeps

in use today on our roads and highways and all of them require tyres with nylon cords. We have come a long way since cotton tyre cords were the only ones in vogue. After cotton tyre cord came rayon tyre cord and then nylon tyre cord. Today, the USA uses nylon tyre cord to the extent of 60 per cent of its total consumption of all types of tyre cords. In the UK where rayon tyre cords accounted for a major share until recently the use of nylon tyre cord is expected to reach 50 per cent of the total tyre cord needs of the country by 1975. Such, we are told, is also the trend in western Europe, Japan and the USSR.

It is pertinent to add here that India is wholly dependent on indigenous production for all its requirements of cotton tyre cord (1,000 tonnes) and rayon cord (19,800 tonnes) but only partially (700 tonnes) in regard to nylon tyre cord. The estimated consumption of nylon tyre cord in 1971 is 2,400 tonnes, whereas that of all types of tyre cord—cotton, rayon and nylon—is 23,200 tonnes, but this is bound to go up substantially considering the rising capacity for the manufacture of tyres in the country (nearly 5.2 millions). Probably the low consumption of nylon tyre cord explaines the small capacity of most of the units which have been licensed. The Government of India has licensed so far 10,000 tonnes capacity in all for nylon tyre cord but the capacity of most of the different units licensed is 2,000 tonnes, if not less. (Nirlon's unit has an installed capacity of only 1,400 tonnes). In contrast to this, plants in Europe, and the USA are as much as ten to fifteen times larger, which makes for economies of scale and lower cost of tyre cords in those countries. If similar results are to be achieved in this country also, the Government of India would do well to recommend more economic capacities than are prevalent today, as Mr Pramod Jhaveri suggested. Let not the bogey of bigness inhibit the authorities at least in such highly sophisticated industries as entail a heavy capital outlay.

In its report to the General Motors, the Rockefeller Foundation is said to have stated last year that what is needed from business is leadership which is courageous, wise, compassionate and enlightened to great changes with an open mind and to be able to wage battles against poverty and inequalities. It is gratifying to find that we have in our country leaders of business of this type (example: Nirlon) who conform to these specifications of the Rockefeller Foundation. They have displayed courge in starting a highly sophisticated industry like the nylon industry. They are wise in the selection of both the site for their industry and the people who man it, as also their foreign collaborators. Their compassion is writ large in the several amenities they have made available to their staff and are prepared to make available to the community around the factory. The company's concern for its employees covers not only their physical well-being but their recreational, cutlural and even spiritual needs. They have founded a trust which is indeed an unique gesture to its employees. This trust provides the means for education of each and every one of the company's employees' children from the primary to the college level. They have plans to offer their employees family accommodation in holiday homes at hill stations.

A new medical centre—this was also declared open by Mr Naik who rightly singled it out as the best gift of Nirlon—equipped with an X-ray machine, a pathological laboratory and a dispensary section and manned by full-time male and female doctors, was thrown open to the employees. And these benefits are over and above what they receive under the ESIC, as in any other factory. Above all, they are enlightened in their own interest as well as in that of the public at large, as witness this remark of Mr Pramod Jhaveri: "We do all these at Nirlon not because it is obligatory on our part but because we believe in the future. We believe that the industry must play its part hand in hand with the government for a common good. The need to work with a sense of social purpose and civic responsibility has become as important as production, productivity and profits". Are not these the people who act and act in the best interest of the country without an eye to the next election as all "promising" politicians are wont to do?

FROM THE PRESS GALLERY

Chavan Yields, But Only a Little

OUR PARLIAMENTARY CORRESPONDENT

NEW DELHI, Friday.

PRIMARILY UNDER pressure from his partymen rather than in response to the criticism of the opposition, the union Minister for Finance, Mr Y.B. Chavan, has withdrawn the proposed levy on "maida" and the marginal increase in the additional excise duty on coarse cloth. The two measures were expected to net nearly Rs 10 crores this year. As a sequel to their withdrawal, the central exchequer stands to lose approximately, eight crore rupees and the state governments about two crores rupees. As the nutrition programme for children, which was envisaged to be financed to a great extent through the levy on "maida", has to continue unabated and no fresh taxation has been proposed to compensate for the loss of the above Rs 10 crores revenue, deficit financing on central account this year now is expected to be of the order of Rs 228 crores, as against Rs 220 crores envisaged in the budget.

The withdrawal of the levies on coarse cloth and "maida" was announced by Mr Chavan yesterday while replying to the general debate in the Lok Sabha on his budget proposals. In view of the enlarged deficit, he hoped that his party would not press for any further concessions. He conceded that the enhancement in the excise duty on petrol was sharp, but he promised no relief in this regard. On the other hand, he pledged his party's support to any demand for increase in taxi fares. The taxi owners, he asserted, were friends of his party.

Irresponsive to Opposition

This observation of Mr Chavan and the reason he gave for the withdrawal of excise levies on coarse cloth and "maida" clearly reflect how the ruling party is becoming more and more irresponsive to even constructive criticism of the opposition; it is only concerned about the criticism in its own ranks.

The Finance Minister maintained that his budget was a definite and positive step on the long and arduous journey to the goal of socialism "to which his party and the nation was committed." He stressed that the rich had to be taxed. But when some members pointed out that the rich in the rural areas had been treated liberally in comparison with those in the urban areas, he took shelter behind the provision in the Constitution that agricultural incomes had to be taxed by the state governments. He, however, hoped that the Planning Commission would be able to pursuade the chief ministers of states to have a fresh look on the question of taxing the rural rich.

The Finance Minister did not think that his budget proposals would accentuate inflationary pressures. He asserted that he had scrupulously avoided increasing the tax burden on items which went into the consumption of the poorer classes. Mr Chavan defended the increase in indirect taxes by arguing that in the present circumstances, "there was no other go". He did not feel that the public sector's performance was as bad as made out by the rightist sections of the House. Quoting some figures, he tried to prove that the performance of public sector undertakings had, in fact, been improving. The losses, he said, were being cut down and the profits were being increased. There were also increased foreign exchange earnings by these enterprises.

Concern for Unemployed

The Finance Minister did not agree with Dr V.K.R.V. Rao, a former education minister in the union cabinet, and several others that the budget was not growth-oriented. He pointed out that the expenditure on the current year's Plan programmes had been stepped up by Rs 150 crores. If the shortfall in the expenditure last year was also taken in to account, this year's Plan outlay, he said, would be Rs 300 crores more than that of last year. Adding Rs 50 crores proposed expenditure on schemes for providing employment in the rural areas and another Rs 25 crores earmarked for the creation of employment opportunities for the educated unemployed, the total increase in the developmental expenditure this year, he argued, would come to Rs 375 crores. This, he stressed, adequately reflected the concern of the government over the unemployment situation and also its anxiety to step up the growth of the economy.

Mr Chavan brushed aside the criticism about the absence in his budget proposals of incentives for savings as hackneyed argument and observed that he did not think that those with incomes of Rs 15,000 per annum could be spared from additional taxation. On the other hand, he emphasised that many of his budget proposals were of wide economic and social significance. Among these, he listed the move for a virtual ceiling on wealth, steps to counter undervaluation of properties, measures designed to discourage benami holdings and imposition of a ceiling on salaries in the corporate sector.

Referring to the heavy expenditure being incurred by the government on the refugees from Bangla Desh, Mr Chavan stressed that the provision of Rs 60 crores made in the budget on this count was only "symbolic" of the efforts the country would make. He wanted the international community to share the burden of expenditure on the Bangla Desh evacuees.

Scathing Criticism

Earlier, the budget proposals of Mr Chavan came in for scathing criticism in both the Houses of Parliament. The main points of criticism were: (i) inflationery tendencies would get a fillip; (ii) private savings would be adversely affected; (iii) not only the rich would be impoverished but also the poor would have to bear a crushing burden; (iv) adequate efforts were not being made to contain administrative expenditure; (v) the developmental effort would be retarded; (vi) the pledges made by the ruling party during the mid-term poll had not been fulfilled; and (vii) effective steps were not being taken to tackle the unemployment problem. Vociferous pleas were made for the expeditious provision of basic amenities like water and housing in various parts of the country. Some members wanted a higher allocation for Bangla Desh refugees. The need for stepping up the growth rate, particularly in the industrial sector, was stressed by many. Some called for the stepping up of the developmental effort in the backward areas. The need for inculcating financial discipline among states was generally emphasised.

The Minister for Railways, Mr K. Hanumanthaiya, too faced rough weather in the two Houses during the discussion on the railway budget. Many participants in this discussion, both from the opposition as well as the treasury benches, questioned the wisdom of effecting frequent upward revisions in passenger fares and freight rates. They feared that the proposed increases in freight rates would not only add to inflationery tendencies but also lead to diversion of traffic from the railways to road transport.

A notable contribution to the debate

in the Lok Sabha was made by Dr V.K.R.V. Rao. He called for the constitution of a parliamentary committee to go into the entire gamut of railway planning, policy and administration. This committee, he suggested, should determine what role the railways should play in the economic development of the nation. Dr Rao thought that a downward revision was imperative in regard to the contribution of railways to the general revenues, for they had to be treated as a tool of the economic development.

Plan for Railways

Several members pleaded for the restoration of the cut in the fourth Plan of the railways. The need to convert the narrow and metre gauge railway lines into broad gauge ones was stressed by many. A good deal of concern was expressed over the pilferage of railway property and goods in transit as well as over the marked deterioration in the recent past in the discipline amongst railway workers.

In his replies to the debates in the two Houses, Mr Hanumanthaiya stoutly defended the increases proposed by him both in fares and freight rates and maintained that being marginal, they would not accentuate inflationary pressures. He assured the House that all possible measures of economy would be taken resort to with a view to bringing down expenditure. He disclosed that he would soon be initiating action for the reorganisation of the Railway Board in the light of the recommendations of the Administrative Reforms Commission of which he himself was the chairman before he joined the union cabinet last year. Another important announcement that Mr Hanumanthaiya made was that a new system for promotions in the railway administration would be introduced soon. Under this system, promotions would be given at all levels on the basis of the performance of an employee rather than on the criteria of his seniority or confidential report. The tenure of the member of the Railway Board, he felt, ought to be at least three to five years.

Detailing the steps being taken to check the late running of trains, Mr Hanumanthaiya revealed that decision had been taken to hold the officers concerned responsible in this regard. He wanted members to put forth constructive suggestions for improving the railway administration. A standing committee of Members of Parliament, he indicated, was proposed to be set up so that they could act as "friend, philosopher and guide to the railway administration".

Sharing the concern of members over labour indiscipline, Mr Hanumanthaiya called upon the railway employees to develop a new psychology and lay stress on increasing production. He warned workers that rules were being framed under which those obstructing work could be dismissed in large numbers. He sought the co-operation of members of Parliament in disciplining workers and emphasised that they should not support the plea of obstructionist among workers for mercy.

Mr Hanumanthaiya agreed with the criticism that the cut in the fourth Plan of the railways ought to be restored. The reduction of Rs 250 crores effected a few months ago, he felt, was not justified in view of government's commitments to provide transport for an expanding economy and to create employment potential. With a view to improving the employment situation, he revealed that he had sponsored the idea of building over-bridges and underbridges for railway tracks. He indicated that he would be asking for an allotment of Rs 10 crores for this purpose out of the Rs 75 crores which the government had earmarked for removing unemployment.

Bill on General Insurance

The two Houses adopted the bill to replace the Presidential ordinance under which the general insurance business was taken over by the government last month. The bill received general support, but some criticism was heard from the Swatantra and the Jana Sangh members who thought that the decision was politically motivated. Some members wanted that the compensation to be paid to the bigger companies should be on a sliding scale so that the total quantum of compensation could be kept low. The Finance Minister explained that the compensation question was yet under consideration; a bill to take over the ownership of general insurance undertakings would be brought before the House later. In defence of the delay in bringing forth this bill, he pointed out that the matter required detailed consideration and the government did not want any conflict with the Supreme Court over the issue. It appears that this bill would be brought before the House only after the final decision is taken on whether to amend the Constitution to grant powers to Parliament to make changes in the constitutional guarantees relating to fundamental rights.

The following information was provided by the various Ministers during the question hour.

(i) The Minister for Foreign Trade, Mr L.N. Mishra, told the Rajya Sabha on June 10 that the government did not think it advisable at present to take over export trade. It did not have the machinery or the agency for the purpose.

(ii) The Minister of State for Agriculture, Mr Sher Singh, told the Lok Sabha on June 10 that we would be exporting this year about 3.50 lakh tonnes of sugar which is our quota under the International Sugar Agreement, 1968.

(iii) The Petroleum Minister, Mr P.C. Sethi, informed the Rajya Sabha on June 9, that no settlement had yet been reached between India and Iran on the proposed joint venture for the production of ammonia, because of the difference of opinion on matters like capacity, total production, marketability and utilisation of Indian equipment. Two proposals were under consideration. One proposal envisaged the production of 600 tonnes of ammonia per day, involving a capital investment of $18.6 million. The other involved production of 1,000 tonnes of ammonia daily requiring a capital expenditure of $ 38.7 million.

(iv) The Minister of State for Home Affairs, Mr R.N. Mirdha, revealed in the Lok Sabha on June 9 that the government proposed to re-introduce a bill in Parliament to set up the institutions of Lokpal and Lokayuktas at the centre. The earlier bill brought before the previous Lok Sabha in this connection had lapsed because of the dissolution of the House.

No Demonetisation

(v) The Finance Minister, Mr Y.B. Chavan, rejected in the Lok Sabha on June 4, a proposal to demonetise currency notes as a remedy for the problem of black money. A committee of experts, he said, had been appointed by the government to suggest legal and administrative measures for countering evasion and avoidance of direct taxes which were the two principal sources of black money.

(vi) The Minister for Shipping and Transport, Mr Raj Bahadur, told the Lok Sabha on June 4, that the competitiveness of our exports was apt to be reduced by the increases in freight rates resulting from the recent agreements between the west-bound and east-bound conference lines.

(vii) The Minister of State for Industrial Development, Mr G.D. Oza, told the Lok Sabha on June 1, that the scooter project to be set up in the public sector would start production within three years.

WINDOW ON THE WORLD

Virtuous Circle of Growth

JOSSLEYN HENNESSY

LONDON :

I

JAPAN'S EXPERIENCE

THE VIRTUOUS circle of rising growth in Japan and the possibilities for other countries is the subject of an outstanding essay by Mr Saburo Okita (president of the Japan Economic Research Centre, and a member of the UN Committee on Development Planning) contributed to the first rate symposium *Essay in Honour of Thorkil Kristensen*, recently published by the OECD.

The phrase "vicious circle" has often been used in connection with the obstacles in developing underdeveloped economies. It has also been referred to in connection with the balance of payments dilemma and other difficulties of some of the more advanced economies. Contrarily, postwar Japan presents a case where several favourable factors have worked together in accelerating growth, and this process may be called a "virtuous circle".

Basic Mechanism

Mr Okita seeks to analyse the basic mechanism of such a virtuous circle working in the process of Japan's economic growth, and also to explore the possibility of establishing a similar circle in the economies of some developing countries.

Japan's postwar economy has grown at a high rate, which has so far shown no sign of decline, as the following five-year average rates of growth show: 8.6 per cent for 1952-55, 9.1 per cent for 1956-60, 9.7 per cent for 1961-65 and 12.9 per cent (estimate) for 1966-70.

Mr Okita believes that the following factors were the major causes of Japan's high rates of growth during the earlier postwar years :

(1) Recovery from a temporary drop in economic activity due to dislocations caused by the defeat in World War II. Postwar GNP reached, around 1960, the extrapolated trend line from the prewar record of growth during 1926-39, which was 4.6 per cent per annum.

(2) Reforms and changes introduced immediately after World War II during the allied occupation were effective in activating the economy by removing or reducing various constraints arising from traditional social customs and habits. Land reform, dissolution of the Zaibatsu (big family concerns), a purge of war-time leaders and encouragement of the labour union movement gave strong impetus to increased agricultural production, freer competition among enterprises, the emergence of young dynamic business executives and the widening of the domestic market for consumer goods.

(3) As a result of the war, Japan lost its former overseas territories. This has freed the country from possible friction with the peoples of former colonies and enabled it to curtail drastically military expenditure and to concentrate its efforts on economic rehabilitation.

(4) Availability of an under-utilised high quality manpower stock at the time of defeat—skilled workers, engneers and technicians, managers and administrators—was another factor for rapid growth. Several million repatriated persons from overseas territories as well as the labour force in the low productivity sectors, such as agriculture, small industries and services formed a source of abundant labour.

These were some of the basic initial conditions of postwar development, but they may not fully explain subsequent accelerated growth, which continued well into the 1960s.

Here Mr Okita examines the process of accelerated growth accompanying the so-called "virtuous circle" in more detail from various aspects:

The Supply Aspect

(1) Rapid rise in productivity due largely to the absorption of imported technology;

(2) A time-lag effect in consumption due to the rapid increase in family income resulting in larger personal savings;

(3) A productivity-wage gap due, partly, to the abundant labour supply, which has damped wage increases and resulted in larger corporate savings;

(4) Domestic resources available for a high rate of investment;

(5) A higher proportion of new equipment (shorter vintage) due to high rate of investment and the resulting high efficiency in industries;

(6) A rapid rise in productivity and rapid economic growth.

The External Balance Aspect

(1) Rapid rise in productivity;

(2) Stable or sometimes decreasing wholesale and export prices due to a favourable productivity-wage relationship in comparison with those of other industrialised economies;

(3) A newer vintage of equipment contributing to the lower cost of production and stronger competitiveness in the world market;

(4) Larger export earnings enabling the financing of expanding import requirements for both consumption and investment;

(5) A sustained rapid economic growth without serious foreign exchange bottlenecks.

The Demand Aspect

(1) Rapidly increasing income widening the domectic market;

(2) An expansion of secondary and tertiary sectors attracting population into urban areas which, in turn, stimulates new consumption;

(3) The arrival of the mass consumption society and the almost limitless desire for better living;

(4) An advanced stage of industrialisation enabling the creation of domestic demand among sectors of the economy coupled with a relatively low dependence on imports of manufactured items;

(5) The rapid increase in overall demand supporting rapid economic growth.

Among various aspects of these virtuous circles of growth, Mr Okita gives further consideration to: (a) the impact of imported technology, (b) the high rate of savings and investment, (c) the rapid export expansion and (d) the flexibility of the labour supply.

II

IMPORTED TECHNOLOGY

Since the early stage of moderisation, when Japan started as one of the industrially backward countries, Japan has been successful in effectively absorbing foreign technology. Imported technology was usually modified to suit local conditions and many of the products using imported know-how later became competitive in the world market. Moreover, foreign technology, once imported into Japan, underwent continuous modification and improve-

ment, often resulting in better products than the originals. On many occasions technology was imported separately from foreign capital investment or management. This encouraged the development of local entrepreneurship and has prevented the formation of "foreign enclaves" in the economy, which often occur in underdeveloped economies.

In the course of the postwar recovery, importation of technology was stepped up. According to the *Annaul Report on Imports of Technology* prepared by the Japanese government, the number of cases of imports of technology increased from 98 in 1951-55 to 166 in 1956-60 and further to 437 in 1961-65. Active import of technolgy was one of the key elements which stimulated investment in industry throughout the postwar period. In recent years, Japanese industries have become more aware of the necessity of investing in research and development and they are getting more dependent on indigenous efforts of R and D, partly because of the growing difficulty in importing readymade foreign know-how. Expenditure on R and D in Japan increased from $ 414 million in 1959 to $1,690 million in 1967 and its share in the GNP rose from 1.11 to 1.41 per cent. Out of the total expenditure on R and D, 62 per cent was spent by private firms in 1967. Payments for imported know-how amounted to $239 million in 1967 while receipts from the export of know-how from Japan were $26 million. The ratio of know-how exports to imports improved from 0.02 in 1960 to 0.11 in 1967.

III

SAVINGS AND INVESTMENT

Personal savings as a per cent of personal disposable income after tax were 10.7 per cent for 1952-55, 17.4 per cent for 1961-65 and the estimated figure for 1966-70 is 19.3 per cent. Both the rates of gross fixed capital formation and private equipment investment have been high and the former as a percentage of GNP rose from 20.9 for 1952-55 to 32.5 for 1960-65 and is expected to rise to 34.0 for 1966-70. Both the recent rate of personal savings and gross capital formation are nearly twice as that of the western industrial countries. The high rate of investment is the key to the virtuous circle. It stimulates the growth of GNP and the expansion of exports, and (especially in private equipment) enables industries to have capital assets embodying the latest technology and to rejuvenate the "vintage" of capital.

According to a recent study conducted by the Japan Economic Research Centre, based on the estimated rate of replacement and the amount of annual investment actually made, the vintage of capital for all industries, shown in terms of the ratio of the accumulated investment in the latest five years to the total gross capital stock, rose from 35.8 per cent in 1959 to 48.7 per cent in 1964. This fact partly explains, for example, why the Japanese iron and steel industry is expanding so fast and why the competitiveness of its products in world markets has strengthened so much in recent years: this is a typical example of a "virtuous circle".

As for the high rate of savings, particularly personal savings, Mr Okita offers various reasons. The high rate of economic growth itself is one of the important causes of the high rate of savings, partly reflecting the time-lag in consumption increase. Apart from the process of the virtuous circle which enables the high rate of savings, certain social and historical factors may have contributed. Bonus payments to employees, for example, of substantial amounts may tend to raise the ratio of savings to income. Wage scales based on seniority may produce a difference between the life cycle of consumption and that of income, thus creating saving possibilities. Disintegration of the traditional family system may encourage middle-aged people to save for their old age as they may no longer be able to rely upon the eldest son to look after them as in the past. Government policy to provide incentives for personal savings by tax relief and other measures may also have been important.

IV

RAPID EXPORT EXPANSION

Foreign trade is an important factor affecting investment and overall economic growth. In fact, many countries are compelled to keep investment at a low level because of balance of payments difficulties. In this respect, Japan's experience points to a new possibility in contrast to the conventional economic thinking. According to conventional theories of foreign trade, the export level of a country is usually related to the income of the outside world and relative price levels, while the import level is related to the GNP, or rate of its growth, in that country. However, the supply of exports cannot be increased without active investment and expanding economic output. Moreover, without active investment, competitiveness in prices and the appropriate quality of export goods may not be achieved. Countries such as West Germany, Italy and Japan, whose exports have shown marked increases, have also attained a high rate of investment and GNP growth. It is true that the balance of payments deficits has sometimes limited the rate of economic expansion of these countries; but this is basically of a short-term cyclical nature. In fact, until recently Japan had to introduce tight money measures every three or four years for this reason. Mr Okita thinks it important, however, to note that a country cannot hope to expand its exports without making active investment in the domestic industries. Moreover, to encourage the expansion of those sectors which are expanding faster then overall world trade, *i. e.* high growth-rate sectors, has been the target of Japanese policy in promoting export trade. Flexibility of private industries in meeting the changing demand of outside markets has been another strong point in Japan's export trade. That the present Japanese export industries are mostly in the growth sector, and that the import items are those for which demand is growing relatively slowly, helps to explain both the recent rapid export expansion and the possibility of a continuing balance of payments surplus.

V

FLEXIBILITY IN LABOUR SUPPLY

Unlike most of the highly industrialised countries, Japan has a large under-utilised labour reserve. Although the number of unemployed has been only about one to two per cent of the total labour force for most of the postwar years, this is mainly due to the peculiarity of employment conditions in Japan where lack of employment opportunity takes the form of under-employment (shorter working hours and lower income) rather than of unemployment.

The labour force in agriculture fell by 4 million from 1958 to 1969 and its share in the total employed labour force from 31 to 18 per cent. The fuller utilisation of the underemployed labour force, the shift of labour from low productivity to high productivity sectors, and the rapid rise in the capital-labour ratio due to heavy capital investment in labour-saving devices, have enabled the economy to grow at a fast rate without causing serious labour problems. Here again, the high rate of investment has enabled the economy to grow fast by raising the productivity of labour at a very rapid rate. In the course of the recent five year period, 1963-68, the production index of manufacturing industries rose by 94 per cent while the number of em-

ployed in the same sector rose only 13 per cent.

The fast rate at which the post-war Japanese economy has been growing will not continue indefinitely and Mr Okita expects a stage of decelaration. When and in what form? Japanese economists answer frankly that they are not sure.

Basically Japan's "virtuous circle" of accelerated growth is likely to be transitional at a time when the economy is moving from a labour surplus and an under-developed or semi-developed stage to full employment and a highly developed stage. For the time being Japan combines the strong points of both under-developed and highly developed economies. In the future, however, favourable factors for growth may gradually diminish and unfavourable factors may grow. It is almost certain that factors such as the growing shortage of labour supply, increasing demand for social overhead investments which are not directly productive, a wage-price spiral, problems of the affluent society, and the increasing competition from newly industrialised labour surplus economies will lead to an eventual decline in the growth rate. Before reaching that stage, however, Japan's GNP will have expanded to a level close to that of the whole European Economic Community and will have expanded to a level close to that of the whole European Economic Community and will have a far-reaching impact on the world economy as a whole, in particular on the areas close to Japan.

(To be completed in a second article next week.)

EFTA—The Obstinate Survivor

E. B. BROOK

VIENNA.

THE MUCH improved probability of the Common Market's enlargement to include Britain and probably three other European states raises acutely the question of the effect this development would have on countries whose exports are chiefly primary products and on those members of EFTA (the European Free Trade Association.) who are not seeking membership of the Market.

These are two distinct questions but, since world commerce will be fundamentally affected, it is not possible to be too parochially European in discussinging this question. There has, in fact, been a good deal too much parochialism in considering the effects of the Common Market's possible enlargement within the Market itself, the British and some Commonwealth countries being also altogether too inward looking although some alarmed self-consideration is very understandable. By all concerned the inconvenient process of some completely new thinking is necessary although there is very little excuse for unpreparedness since the possibility of Britain's membership of the Market has existed almost as long as the Market itself.

The effect on countries whose exports are chiefly primary products is the most threatening. The Common Market has never been a liberal trading organisation; currently, it is one of the most outstanding examples of protection. Enlarged to include Britain and the other applicants, the Common Market will become the world's largest purchaser of agricultural produce. At present there is no certainty of access to that market by all producers of primary products and the British acceptance of generalised assurances about sugar from the European Comnity is widely regarded on the continent as a sign that the UK government will not be over-careful of the interests of some of the Commonwealth constituents whose best customer it has been for over a century.

For the Market itself, as at present constituted or enlarged, to undertake a review of the world balance of production, consumption and commerce in primary products would be an unwonted exercise in outward looking and some self-criticism that must be regarded as improbable. But without such a review the Market will probably remain unconvinced of the wisdom of importing at least part of its requirements rather than striving, as at present, to produce all the milk, butter grain and some other farm products it needs at an extravagant cost in farm subsidies rather than buy from as wide a market as possible. As Britain will discover, if it does not already realise, the European farmer of three acres or less is far more important to Brussels than the wholesale producers of milk, butter or whole sale growers of sugar in other continents because the millions of small farmers in Europe are the voters who elect the European parliaments and are the people on whom the French, German, Italian and other politicians, who are the final arbiters also in Brussels, depend for their careers and fame.

Looking more closely within Europe itself, the six west European countries outside the Market who are not applicants for membership are closely considering their position and arriving at a variety of conclusions. What chiefly concerns them is that the achievements of their present association, EFTA, shall not be thrown away; they seek some form of understanding with the Market to this effect and hope to be able to maintain EFTA without Britain, Norway and Denmark so as to be able to continue progress between themselves.

Waiting in Antechamber

The countries concerned are Sweden, Switzerland, Portugal, Austria, Iceland and Finland — as varied a group as it would be possible to find in any continent and including three countries (Sweden, Austria and Switzerland) with official policies of neutrality based on quite different principles. All these countries have separately approached the Common Market on the subject of its future relationship with the organisation and each is still waiting for an answer.

Each of these six states has also its own point of view and its own anxious problems. The official neutral policies of Sweden, Austria and Switzerland rule out the possibility of their membership of the Market even if they wanted it but the Danes, applicants for Market membership, fear that Sweden may try to introduce new tariffs between them once Denmark is in the Market. The Swedes deny this intention and deprecate Denmark's nervousness but would not be averse to a customs union with the Common Market. But so far Sweden has been unwilling to specify the terms and limits it would be willing to consider. In any case, since Sweden is a neutral state, the Market will probably find anything like a customs union difficult and the most that is likely to be achieved is a commercial agreement. The Swedes appear unwilling to consider an association with the Market since they regard this relationships suitable only for industrially developing countries.

Austrian neutrality, unlike Sweden's, is neither traditional nor safeguarded by public opinion. But it is more precisely defined than Sweden's by law and especially by the terms of the State Treaty of 1956 which restored its statehood to Austria after the war and to which not only Austria but the four wartime allied powers, including the Soviet Union, are guarantor. For long the Austrians have toyed with the idea of leaving EFTA and have tried to achieve an association with the Common Market since over 40 per cent of their trade is with West Germany, a

Market member, but the effort has been abandoned since the neutrality obstacle was too big.

But Vienna needs a commercial agreement with the Market since with West Germany and Italy their first and third trade partners and Britain their second, the enlarged Market will pose forbidding tariff walls to a country that has recently made its selling abroad more difficult by raising the value of its currency by 5.05 per cent and which already buys as much again as it sells. Fortunately for the Austrians, they are willing to be flexible, especially on agriculture.

The Swiss, on the other hand, are anything but flexible. A prosperous country long before the Common Market was even thought of, Switzerland is less impressed by Brussels than most countries. An international banking centre, the home, in Geneva, of part of the United Nations, of EFTA and GATT, the Swiss are inclined to regard the Market and Brussels as something of an upstart. Switzerland is insistent on keeping EFTA a going concern and is working hard to keep it going as a smaller group to preserve its achievements in free trade within itself (achieved earlier than the Market's free trade between its members) and, if possible, to increase the EFTA achievements. Since EFTA was regarded as already dead as long ago as 1962 the Swiss and others regard it as an uncommonly obstinate survivor, a much quieter but worthier body than the clamorous and argumentative Market.

The other EFTA country with international political considernations barring it from the Market is Finland —an associate of EFTA with Soviet permission. The Finns are not in a position to enter into any arrangement that would displease the Russians, though the Soviet Union might be willing to tolerate a trade arrangement between the Finns and Brussels if only as another back door to the Market.

Portugal has no political difficulty in reaching a trade arrangement with the Market but its economy is too frail for any close integration and Iceland, almost totally dependent on exports, will have to turn to the USA and to east Europe more than at present if it cannot arrange to sell more of its fish to the Market. The newest member of EFTA, Iceland hopes its NATO membership may sway it into the Market.

Five-Year Plan of Czech Foreign Trade

DR JAN PESL

THE DIRECTIVES for Czechoslovakia's fifth five-year Plan (1971-1975), which were approved at the recently held 14th Congress of Czechoslovakia's leading ruling party, the Communist Party of Czechoslovakia (CPCz), have put forth exacting tasks for the country's foreign trade in the current five-year period.

The directives have emphasised that foreign trade has an important role to play in the efforts to intensively utilise all factors of economic growth, particularly in breaking the bottleneck of fuel and power shortage, in securing better supplies of raw materials and in procuring diverse consumer goods for enrichment of the home market.

The fifth five-year Plan aims to increase the foreign trade turnover by 36-38 per cent. This means that the turnover has to grow at a faster pace than that of industrial production which is to increase by 34-36 per cent.

In the structure of exports, the Plan envisages an increased proportion of the export of industrial products which is to grow by nearly 44 per cent. The export of engineering products is to go up by more than fifty per cent while engineering production is to grow by at least 45 per cent.

The fifth five-year Plan basically tends to rely upon further strengthening and qualitative deepening of Czechoslovakia's foreign economic orientation towards the Comecon countries.

Though the overall growth of the foreign trade turnover is envisaged by 36-38 per cent, the volume of trade with the Comecon countries will increase by 43-45 per cent. This aim is pursued by the long-term trade agreements for 1971-1975, which Czechoslovakia has concluded with all the Comecon counries and with other socialist tcountries.

Engineering products will be the most dynamic section of trade with the socialist countries. In comparison with the period 1966-1970, Czechoslovak engineering exports will increase by 55 per cent and imports by 65 per cent. For example, multilateral co-operation in computers will make it possible to increase, in five years, the exchange of these products with Comecon countries roughly eight times.

The planned rate of growth with the socialist states, in particular the Comecon countries, is visualised not only as an expression of the growth of simple barter but also of the development of improved forms of international division of labour, especially of co-operation and specialisation in the processing industry, in solving problems in the sphere of power and fuel production, scientific and technical co-operation etc.

Quite an important place is occupied by Czechoslovakia's bilateral and multilateral co-operation within the Comecon countries in selected sectors such as co-operation with the USSR in the production of equipment for nuclear power stations, with the GDR in producing complex machine systems, or agreements with Bulgaria on co-operation in the production of lorries.

Between 1971 and 1975, nearly 90 per cent of the increment of primary resources in Czechoslovakia will be covered by imports, the largest proportion of which will be part of Czechoslovak economic co-operation with the USSR.

The development of Czechoslovak chemical industry is also based on close co-operation with the USSR, the GDR and the Hungarian People's Republic.

Within the Comecon, the Soviet Union is already Czechoslovakia's largest trade partner. The Soviet Union accounts roughly for one-third of overall Czechoslovak foreign trade and for nearly 50 per cent of Czechoslovak trade with the Comecon countries. Supplies of Soviet fuels, raw materials, agricultural products and foodstuffs and scientific-technical co-operation are now indispensable for Czechoslovak economy. Presenting the draft of directives at the 14th Congress of the CPCz, Czechoslovak Federal Premier, Dr L. Strougal emphasised the vital importance of co-operation with the Soviet Union in the following words:

"At a time when capitalist monopolies are continuing their efforts to get control over raw material resources in the whole world, the Soviet Union is enabling Czechoslovakia and other CMEA (Comecon) countries to participate in developing natural resources of the USSR and provides long-term guarantees for supplies of raw materials vitally important for us".

At the same time, the Soviet Union is Czechoslovakia's largest market for products of Czechoslovak processing industry.

The long-term Czechoslovak-Soviet trade agreement for 1971-1975 provides for a 43 per cent trade increase,

but it is very likely that this volume will be exceeded on the basis of annual protocols.

Though Czechoslovakia is supporting economic integration of the Comecon countries, it is not tending towards isolation from the other countries and economic spheres. In the above mentioned speech Federal Premier Dr Strougal said:

"Along with the mentioned economic relations with the socialist countries, we want to continue developing also mutually beneficial co-operation with the capitalist and the developing countries, on the basis of mutual advantage. It is up to the governments, commercial and industrial circles in those countries to show equal interest in such development".

At the recent meeting of the UN Economic Commission for Europe, the Czechoslovak delegation pointed out that the main condition for the development of trade with the west is the removal of commercial and political barriers, mainly quantitative limitation on the part of the west.

The directives of the five-year plan have offered to consider the possibility of importing machinery from capitalist countries on credit, if granted on usual commercial terms.

No barrier exists on the other hand in the growth of Czechoslovak trade relations with the developing countries. A substantial part of the envisaged increase in engineering exports may very well go to the developing countries to meet their industrialisation programmes. On the other hand, the target of increasing supplies to the consumer by at least 25 per cent will offer increased opportunity for imports of consumer goods, finished and semi-finished, from the developing countries.

The moving finger writes

THANKS TO the 'radical' stance assumed by the government, there is speculation, off and on, about its intentions regarding high denomination notes. The demonetisation of this class of currency by the Government of Pakistan a few days ago has helped to revive talks in our country about the possibility of a similar step being taken by New Delhi. The Finance Minister was questioned in Parliament about this last week and he disavowed any proposal or plan on the part of the Government of India to demonetise high denomination notes. I for one am inclined to place complete faith in Mr Chavan's assurance. The State Bank episode of "Nagarwala and his sixty lakhs of rupees" has indicated, after all, who amongst us is the largest hoarder of high denomination currency. In their own self-interest the powers that be are hardly likely to do anything that would immobilise high denomination notes of doubtful legitimacy.

* *

A lot of people in this country seem to be upset over the indifference or inertia of the great powers with regard to the vast tragedy of East Bengal. Many among them are blaming the US particularly for not intervening to put an end to Pindi's reign of terror. I wonder whether their memory of public events is long enough to be able to recall that it was Jawaharlal Nehru who had set the fashion for demanding that the Asian people should be allowed to settle their affairs or quarrels without any interference from world powers, particularly the US. Taking the cue from Nehru most of the politicians in our country had been monotonously reciting the slogan "Hands off Asia".

Now, however, this slogan has become an inconvenient one for us, and some of us would like to see the US and the Soviet Union involved in the politics of Pakistan. It has been suggested that the great powers should compel Yahya Khan to wind up his military regime in favour of a democratic government in Pakistan. So far as the Soviet Union at least is concerned this would be a strange request for it to make. Physicians, after all should heal themselves first. Who or what is Moscow to preach the virtue of democracy to anyone, including even Yahya Khan? The US in its years of innocence, had no doubt proclaimed itself as a defender of freedom whenever or wherever freedom might be imperilled. This did not make Washington exactly popular in the so-called third world, particularly India.

In saying all this, I am not at all implying that the conscience of the human race can sleep over the terrible calamity which has overtaken the innocent men, women and children of East Bengal in their millions. But I am anxious to emphasise the point that allegedly far-sighted statesmen, such as Nehru were quite unable to see beyond their noses when they indulged in criticism of the US in season and out of season for not letting Asia work out its own destiny. History now seems to be laughing at them, with Washington apparently resolved not to initiate any action which may result in its getting involved in indefinite commitments in yet another troubled area of the Asian continent. Those who find the policeman as irksome imposition when things are going well have only themselves to blame if they were to find the constabulary unenthusiastic when trouble actually arises.

* *

While I admire Mr J.R.D. Tata's motherly anxiety about Air-India and its Jumbo jets, I am not impressed by his argument that the tax of 20 per cent on air tickets for foreign travel paid for in Indian rupees would cripple the economics of his elephant brigade. He has no doubt put out some alarming statistics about the probable decline in traffic as a result of the tax, but it is still to be demonstrated that this is not a case of fear being father to the thought.

Some of us would recall that, not very long ago, a suggestion was being repeatedly made to the government that several worthy purposes could be served at once by the twin-stroke of liberalising the conditions for foreign travel and simultaneously levying a tax on air tickets for such travel. If I am not mistaken, many businessmen used to be voluble in their support of such an arrangement. At least they should have no quarrel with Mr Chavan, now that he has taken them at their word.

I admit, however, that, despite the liberalisation effected sometime ago in the conditions for the issue of the 'P' form, there are still far too many administrative restrictions on foreign travel. The constructive course would be for us to urge the government to review this position and facilitate more and more people travelling abroad so that they may help increase government's revenues as well as promote the solvency of the Jumbo jets. Incidentally, since much of the capital cost in the large part of the working expenses of the Jumbo jets is to be met in foreign exchange, I fail to see why Mr Tata should have objected so vehemently to the taxing of air tickets paid for in rupees. The dynamic entrepreneur that it is, AIR-INDIA should learn to view this tax on 'rupee air tickets' as a stimulus to its going all out to attract passengers who could and would pay in foreign currencies.

* *

The other day I happened to visit the local zoo, and found that one of the elephants was being maltreated. An urchin who was apparently related to one of the keepers kept hitting the poor beast repeatedly behind the ear with a goad. When I protested, the attitude of the keepers around the place was, to say the least, non-cooperative. I thought that I should write to the director of the zoo drawing his attention to the fact that keepers themselves were being a party to the harassment of the animals in their charge; the inducement for them was the tips some visitors were prepared to give when the zoo animals were made to perform circus tricks. I am glad to say that the director, Mr Bhatia, has been very prompt and helpful in his response. I reproduce with pleasure the relevant part of Mr Bhatia's reply:

> "I am making the necessary enquiries in the matter and will write to you again shortly. I have, however, warned my staff, especially those posted with the elephants, so that such ugly incidents do not take place at all.
>
> "The suggestions made by you are most welcome. I am putting up a board informing the public not to make any payment to the keepers. I am also maintaining a complaint book in my office so that visitors may enter their complaints, if any."

V.B.

Trade Winds

I.B.R.D's RECOMMENDATIONS

THE AID-INDIA Consortium, meeting in Paris this week, will have before it the World Bank's recommendation that India be given $ 1250 million of foreign aid for 1971-72. The bank has recommended that India should get $ 650 million of non-project aid (including $100 million to $110 million as debt relief), $500 million of project assistance and $100 million of food aid, making a total of $ 1250 million. Although the Consortium had indicated $ 700 million (Rs 525 crores) of non-project aid including debt relief and $ 400 million (Rs 300 crores) of project aid for 1970-71, actual commitments totalled Rs 356 crores and Rs 258 crores, respectively. The bank has proposed extension in 1971-72 of the debt relief given in the last three years. It has reportedly drawn the attention of the Consortium countries to the increased economic activity and import liberalisation in India and stressed that the declining trends in aid should be reversed. The bank's report has also referred to efforts made by India to mobilise internal resources for the fourth Plan and to tap rural savings.

FUJI BANK

The Fuji Bank Ltd, Japan's largest commercial bank, shifted on June 11 the office of its representative from Calcutta to New Delhi. This office is one of the eight overseas offices maintained by the Fuji Bank. The other offices are located at New York, Los Angeles, London, Dusseldorf, Seoul, Djakarta and Hong Kong.

The New Delhi office will conduct activities such as laision with Fuji's correspondent banks, advising local companies and Japanese firms operating in India, and research of financial, economic and business matters. The office has been shifted to New Delhi in view of the growing commercial ties between India and Japan and the fact that New Delhi, being the capital of the country, is the most convenient place for Fuji representative to operate in India. In Calcutta this office operarated for nearly 18 years.

According to Mr Shozo Saji, the Managing Director of the Bank, the Japanese businessmen and industrialists are keen to co-operate with India in various economic fields. Japan is particularly interested in securing mineral ores and various other raw materials from India for its expanding industries. It is already collaborating in the expansion of iron ore mining and port facilities in this country.

I.D.A. FARM CREDIT

The International Development Association, the World Bank's soft-lending affiliate, has sanctioned two credits totalling $60 million for agricultural schemes in Tamil Nadu and Haryana. The credits, $35 million for Tamil Nadu and $25 million for Haryana, will be used for minor irrigation, farm machanisation and land-levelling in the two states. The latest IDA credits are part of the Bank group's continuing efforts to support institutional credit programmes to enable farmers to make good use of new high yielding varieties, fertilizer and irrigation facilities. The IDA-aided projects in Tamil Nadu and Haryana will result in increased production of foodgrains (500,000 tonnes) and other crops and in higher income for over 70,000 participating farmers in the two states.

NEW DUMPER DEMONSTRATED

A new Hungarian dumper, the Mogurt Model G-116 was demonstrated recently in Goa. Extensive trials were carried out for about three weeks at a number of mines including those of Dempo Mining Corporation Ltd, Sesa Goa Pvt. Ltd, Rajaram N.S. Banderkar and Sociedade de Fomento Industrial Ltd. The demonstrations proved the usefulness of the Mogurt Dumper in handling laterite overburden and iron ore. The versatility of the dumper was brought out during the demonstrations by teaming it with a variety of loading equipment such as power shovels, wheel loaders and track-type loaders. The working of the Mogurt G-116 Dumper is characterised by ample power and excellent manoeuvrability. Its ability to negotiate steep gradients is impressive. Those who witnessed the demonstrations found it a sturdy and efficient machine.

Before the Goa demonstrations, the dumper proved itself successful in extensive trials in handling blasted rock and other heavy materials at various irrigation projects, among them the Beas-Sutlej Link Project, HP, and the Koyna Project, Maharashtra.

In the context of the several development works in the country, there is clearly need for efficient mechanical dumpers. The Mogurt Dumper is a versatile off-the-highway machine equally at home on irrigation projects, in mines and quarries, in tunnel applications and on earthmoving jobs. The swivelling seat arrangement with dual operator controls make this unit ideally suitable for shuttle work encountered in tunnel applications. Powered by a heavy duty 145 h.p. diesel engine, it has a rated payload capacity of 11 tonnes and is equipped with hydraulic power steering, a four-wheel drive, strong hydraulic tipping gear and large tyres.

The Mogurt dumper can be imported against rupee payment under the Indo-Hungarian bilateral trade agreement. Willcox Buckwell India Limited, New Delhi, a subsidiary of Larson & Toubro Limited, holds the franchise for these dumpers.

COMMTITEE FOR EMPLOYMENT

The Planning Commission has recently set up an advisory committee of economists on employment studies. The members of the committee are :

Prof M. L. Dantwala, (Bombay), Prof V. M. Dandekar (Poona), Prof K. N. Raj (Delhi), Prof S. Chakravarty, (Delhi,) Prof Gautam Mathur (Andhra Pradesh), and Prof T. N. Srinivasan (New Delhi). The committee will assist in drawing up and implementing a programme of studies on employment and unemployment through academic institutions to supplement the programme undertaken by official agencies. The committee will advise on the evolution of an integrated approach to employment orientation of development planning as a whole and for different sectors. It will also guide and co-ordinate studies undertaken by academic institutions in formulation and implementation of special programmes such as small farmers' development agency, marginal farmers and agricultural labourers and rural works programme in drought prone areas.

PLAN TO LINK STATE GRIDS

The Government of India has approved three inter-state power transmission schemes linking Gujarat with Maharashtra, Madhya Pradesh and Rajasthan. The three projects which will help formation of the western grid would be completed in the next four years. Under the scheme, Barwaha in Madhya Pradesh would be linked with Baroda, Udaipur in Rajasthan would be linked with Ahmedabad and Nasik in Maharashtra would be linked with Navasari. The union government is to provide finances for the interstate transmission links outside Plan outlays and the assistance would be regarded as loans to the four states for power links lying within the state boundaries.

U.S.-CHINA TRADE LIBERALISED

The White House announced a broad range of American made products that may be sold to China, including automobilies, industrial equipment, and other consumer goods. Breaking a 21-year-old embargo on trade with China, President Nixon made public the list of exports that US industry may ship to China under a general licence — the products that can be shipped without further approval from the government. The list includes farm, fish and forestry products, tobacco, fertilisers, coal, selected chemicals, rubber, textiles and other metals. In addition, Mr Nixon said, agricultural, industrial and office equipment was included as well as household appliances, electrical apparatus in general industrial or commercial use, some selected electronic and communications equipment, and other automobile equipment and consumer goods. Mr Nixon also decided to sweep aside a requirement that American businessmen must obtain government permission to export wheat, flour and other grains to China, eastern Europe and the Soviet Union. A 50 per cent US shipping requirement for these items was suspended. The Chinese export list appeared to parallel closely a similar list on exports to the Soviet Union, which has been in existence for some time.

BANKS IN UNBANKED CENTRES

Bank offices will be opened in 130 more unbanked, mostly, rural centres in four states — 71 in Punjab, 26 in Haryana, 8 in Jammu and Kashmir and 25 in Himachal Pradesh— during the current calendar year. The programme was finalised recently at a meeting of senior officials of commercial banks operating in these states called by the Reserve Bank. Thirteen of these new branches will be opened by the State Bank, 53 by the 14 nationalised banks, 24 by the State Bank of Patiala and the rest by other banks. In addition to these offices about 60 more offices are expected to be opened in the centres which are already banked and 70 offices in unbanked centres in respect of which licences are pending.

SCINDIA'S NEW SHIP LAUNCHED

Yet another ship to the liner fleet of Scindia's was added when a new vessel, MV "Jalamohan" was launched on June 2, 1971 at the Warnemunde Yard of Messrs Veb, Warnowwerft by Mr N.K. Suntook, a director of the company. MV "Jalamohan" is the first of the second series of four vessels ordered by the company in GDR. Based on the experience gained in the operation of vessels under the first series and in accordance with company's policy to acquire ships to meet modern requirements of trade, some more innovations have been incorporated in the design of ships under second series. Accordingly vessels under the second series will have Bulbous Bow to increase speed. The vessels are also fitted with hydraulically operated hatch covers of Macgregor typo, which save considerable time in closing and open-

ing of hatches and thus reduces cargo handling costs. For the first time on Scindia vessels twin hatch openings are being provided. The ships have also been equipped with a pair of 30 ton derricks each for heavy lifts and containers. MV "Jalamohan" is a fast, 18 knot vessel propelled by a MAN super-charged diesel engine and automated engine room has been provided The ship has also space for 21,000 cu. ft. of refrigerated cargo and over 1000 tons of liquid cargo in deep tanks. The crew and officers' accommodation on the vessel is fully air-conditioned and the company hopes that this unit will not only render better service to the trade, but will also provide a better standard of living conditions for officers and crew. With addition of this vessel the Scindia fleet will consist of 42 vessels of 5.38 lakhs deadweight.

TIE UP FOR POWER TILLERS

The Maharashtra Co-operative Engineering Society of Kolhapur has entered into collaboration with a Japanese firm for the manufacture of 10-13 HP power tillers. This is the first cooperative society to enter into collaboration with a foreign firm in the field of engineering. according to Mr Shivajirao Desai, managing director of the society. He said that the Rs 4.5-crore project would manufacture about 4,000 power tillers a year after five years. He said that under the agreement with Yanmar Diesel Engines of Japan, the first lot would be imported but the accessories required would be made locally. In five years the power tillers would be made indigenously. The cost of each tiller was expected to be about Rs 12,500.

SUGAR OUTPUT

The total sugar production in the month of April 1971 was about 427,000 tonnes as against about 584,000 tonnes during the corresponding period of last season. This brings the total production during the first seven months of the season 1970-71 to 35,37,000 tonnes as against 36,67,000 tonnes during the corresponding period of last season. The off-take of sugar from factories during the month of April, 1971 was about 3,64,000 tonnes for internal consumption and 37,000 tonnes for exports as against about 2,76,000 tonnes for internal consumption and 20,000 tonnes for exports in the corresponding period of last season. The total despatches in the first seven months in 1970-71 was 21,97,000 tonnes for internal consumption and 2,17,000 tonnes for exports as against 18,34,000 tonnes for internal consumption and 40,000 tonnes for export during the corresponding period last season. The total closing stock of sugar with the factories on April 30, 1971 was about 32,11,000 tonnes as against about 30,97,000 tonnes at the end of April last year.

JAPAN TO BOOST IMPORTS

The Japanese government has decided to adopt an eight point programme, which aims at checking exports and boosting imports in a bid to ease the growing international pressure for revaluation of the yen. This decision was reached at a meeting of the ministers called to co-ordinate views on the nation's external economic policy prior to the opening of a ministerial conference in Paris of the Organisation for Economic Co-operation and Development (OECD) against the background of a large accumulation of Japan's foreign exchange reserves, now close to the $7,000 million mark. The eight point programme calls for stepped up liberalisation of imports, enforcement of tariff preferences for manufactured products of developing nations as from August 1, reduction of tariff rates, decontrol of direct foreign capital investment in Japanese industries, removal of non-tariff trade barriers, expansion of economic aid to developing nations, improvement of the export system and flexible operation of fiscal and monetary policies to stimulate domestic economy.

EXPORT AWARDS

Jg Glass Industries Pvt. Ltd, of Poona has been awarded the Export Performance Badge by the Chemicals and Allied Products Export Promotion Council. The award has been given for export of "Mettle" vacuum flasks, refills and pencillin vials. Flasks were exported to Middle East, South-east Asia and East Africa. Refills were exported to Australia, Ceylon and West Germany. The company also fulfilled a bulk commitment of 7.5-lakh flask export order placed by the USSR valued at Rs 37.5 lakhs

The Chemicals and Allied Products Export Promotion Council has given special award to **Madras Rubber Factory Ltd,** manufacturers of Mansfield tyres, for outstanding results in the field of export publicity and market research. MRF's exports of Rs 58 lakhs represents 20 per cent of its tyre production to 30 countries including the US. The sophisticated US market is buying from MRF a wide variety of tyres, particularly speciality tyres for antique cars.

Company Affairs

HINDUSTAN ALUMINIUM

IN SPITE of a horde of difficulties, problems and temporary setbacks, Mr Aditya V. Birla, who presided over the annual general meeting of Hindustan Aluminium Corporation Ltd in the absence of its Chairman, Mr G.D. Birla, was confident that the expansion schemes now being implemented would be completed well before 1974 and it would be possible for the company to take full advantage of the development rebate now available on a "priority" basis. The company however would be deprived of the advantage of concessional taxation of profits, as aluminium industry, according to the latest budget proposals, has been withdrawn from the list of priority industries.

Referring to the expansion programmes, Mr Birla said that the first stage of the expansion scheme for raising the capacity from 80,000 tonnes of primary metal to 100,000 tonnes is scheduled to be completed by the middle of 1972 and the second stage for further increasing the capacity to 120,000 tonnes will be reached by the end of 1973. The cost of the expansion scheme is estimated at Rs 40 crores and it will be financed through internal resources and borrowings. Mr Birla ruled out the possibility of the company issuing rights shares in the near future. As for the proposed issue of bonus shares in the ratio of one equity share for four held, Mr Birla stated that the company hopes to obtain the necessary clearance from the Controller of Capital Issues very soon as the application was in accordance with the guidelines for bonus shares.

About dividend Mr Birla said that according to the present agreement with the Ex-Im Bank the company was not allowed to pay more than 12.5 per cent till the repayment of its loan in 1978. The company has already raised its dividend to 12.5 per cent for 1970 from 10 per cent paid for 1969. He however assured the shareholders that the board will persuade the Ex-Im Bank at an appropriate time to waive the condition on dividend and allow the company to raise its distribution if its earnings permitted.

Referring to the immediate problems and obstacles, Mr Birla pointed out that the UP government was yet to finalise the contract for the supply of power and was yet to transfer to the company the land for expansion programme. This was holding up, according to Mr Birla, the entire construction schedule. Further though the proposal for foreign exchange loan from the Ex-Im Bank for the expansion programme had been submitted to the union government as far back as September 1970, there was delay in finalising it. Besides the application for import of capital goods was pending with the authorities for nearly eight months now. Steel shortage was also holding up construction schedule.

Mr Birla told the shareholders that the company had applied for permission to increase it licensed capacity for fabricated items from 37,000 tonnes to 60,000 tonnes and the matter was under the consideration of the government.

Mr Birla was highly critical of the government's policies and decisions. The new prices fixed for aluminium, Mr Birla observed, were unrealistic and would hit the industry adversely. The new prices fixed at grossly uneconomic levels, according to Mr Birla, were almost 15 per cent below the prices which prevailed in early 1967. He hoped that the government would take a realistic view about aluminium prices and allow the producers sufficient margin to cover the increase in power and other costs of production which have gone up following substantial increase in the prices of almuinium fluoride, cryolite, calcined petroleum coke and caustic soda.

TEXMACO

Textile Machinery Corporation Ltd has reported highly encourging results during the year ended December 31, 1970. Sales during the year spurted to Rs 13.15 crores recording a smart rise of Rs 5.07 crores over 1969. This enabled the company to reap a gross profit of Rs 48.67 lakhs as against a deficit Rs 61.81 lakhs in 1969. Out of the profit, the directors have earmarked a sum of Rs 5.24 lakhs to write off debenture issue expenses and the balance of Rs 43.43 lakhs was set apart for making a partial provision towards depreciation, the uncovered depreciation being Rs 6.09 lakhs. The company has however skipped the equity dividend for the fourth year in succession. It last paid an equity dividend of 17.5 per cent in 1966.

The company's various divisions showed marked improvement in 1970 but the company could not derive full benefit due to steep escalation in costs and inadequate and irregular supplies of steel. It was obliged to procure sizable quantities of steel at fantastic premium from the open market which eorded profitability. This apart, the sagging home demand from the textile industry and the curtailment in the orders of the railways accompanied with unremunerative prices added to the company's trouble. To counter it the company tried to intensify its export drive and its export performance today ranks foremost amongst the engineering companies in the country. It is encouraging to note that the company has secured a repeat order for ringframes from the UAR and further order are in the pipeline.

Meanwhile, the Government of India has approved the company's collaboration agreement with Messrs Howa Machinery for the manufacture of high speed carding engines, simplex and draw frames and the plans for the manufacture of these high speed machines are underway. With its range of textile spinning machinery thus made more comprehensive, the company hopes to cater to the requirement of textile mills both at home and abroad.

The steel foundry division witnessed a substantial boost in production during the year under review despite a fall in demand for the conventional castings for wagons in the face of scanty orders from the Railway Board. This was largely made possible due to the company's progressive switch over to more intricate and sophisticated castings.

The progressive decline in orders from the Indian Railways continued to affect the working of rolling stock division. Despite these reverses, the company commenced manufacture against the Hungarian order of 1000 wagons and it has already shipped over 400 wagons so far. The company continued to spearhead the export drive in European markets and it was successful in obtaining a sizable order for wagons from Yugoslavia aggregating over Rs nine crores. Production in the water tube boiler division registered a phenomenal increase during the year under review. The year 1971 holds promise of a still better production.

As for the current year, the directors confidently look forward to further growth and progress, provided the Railway Board would heed the plight of the industry and place adequate orders at economic prices. As a big consumer of steel, the working would

no less depend on adequate supplies of this basic input.

STANDARD & CHARTERED BANK

The Directors of Standard and Chartered Banking Group Limited will recommend to shareholders at the Annual General Meeting to be held on August 3, 1971, payment of a final dividend of seven per cent, less income tax for 15 months ended March 31, 1971. The total rate of distribution for that period will thus be 15 per cent representing an increase of one per cent over the amount forecast for the first accounting period of the new company in accordance with the scheme of arrangement for the merger. Net profits of the Group available for dividend after provision for taxation transfers to inner reserves and minority interests were as follows: Net profits of Standard Bank and Chartered Bank £ 11,953,409, less transfers to contingency and reserve funds £ 4,071,694, balance of profit brought forward £ 10,742,683. The register of members will be closed on June 28, 1971.

MALAYSIA-SINGAPORE AIRLINES

Malaysia-Singapore Airlines (MSA) reached commanding heights in its operations during the year ended March 31, 1971. The profit for the year more than doubled to $40 M, registering a record rise of $20.6 M over 1969-70. Over 1 5 million passengers were carried during the year and it excelled the previous year's figure by about 23 per cent. A peep into the airlines' other working results reveal that the year 1970-71 was a saga of achievements for the company. Sixty five per cent of the seats, for instance, were sold (passenger load factor) as against 62 per cent in 1969-70. The percentage of carriage capacity that has to be sold in order to cover all costs (break-even load factor) too showed a marked improvement during the year under review. Perhaps the brightest spot in the company's glittering record in 1970-71 was that the airlines was able to set one of the world's best records of punctuality by manoeuvring 89 per cent of aircraft departures within 15 minutes of scheduled time. The arrangements for the MSA's new route to London too proceeded according to schedule and the MSA's maiden flight on June 2, out of Singapore to London was a grand success. Development of 'Kriscom', MSA's multi-million dollar instant response computer system for reservations, departure control, message switching and other applications are proceeding according to plan and it will become effective by June 1972. Encouraged by the airlines' impressive financial results and outstanding achievements, the board of directors have resolved to pay one month's salary as bonus to staff. The bonus will be the basic salary of each employee for the month of March 1971. Those with a less than a year's continuous service on 31st March, will be paid an amount proportionate to their length of service. The only exclusion, however, is staff seconded and staff abroad who are already in receipt of bonus. The board of directors are also happy to report that the employees' productivity, as measured by available capacity per employee, in 1970-71 was higher by about seven per cent as compared to the previous year. Quite significantly 97 per cent of the staff in Malaysia and Singapore are now nationals. Of the non-nationals only five are now seconded from other airlines as against 21 two years ago.

SAURASHTRA CEMENT

The expansion programme of Saurashtra Cement and Chemical Industries Ltd is nearing completion. Its new kiln capable of producing 1,000 tonnes of clinker per day is scheduled to go on stream in the third week of the current month. With the commissioning of this new plant, the installed capacity of the company's cement unit at Ranavav in Gujarat will increase from 5.30 lakh tonnes to 8.60 lakh tonnes of cement per annum. The company's turnover, with production at full capacity, is expected to increase to about Rs 9 crores from Rs 5.50 crores. The machinery and equipment for the new plant were manufactured and supplied by Walchandnagar Industries in technical collaoration with a West German firm.

SUNDARAM FINANCE

Impressive progress has been reported by Sundaram Finance Ltd during the year ended December 31, 1970. New records were set up by the company in almost in all spheres of its activities during the year. Deposits continued to maintain its uptrend but during 1970 it registered a sharp rise to Rs 708.24 lakhs and it exceeded the previous year's figure by as much as Rs 159.99 lakhs. The year also witnessed a rapid expansion in the company's activities of financing of road transport industry. Consequently the stock on hire at the end of 1970 shot up to Rs 1210.92 lakhs from Rs 958.84 lakhs in the preceding year. With sizble expansion in volume of business, the profit after providing for taxation too improved to Rs 24.35 lakhs which was a shade higher than the 1969 figure by Rs 0.02 lakh. The profit might have registered a handsome rise during the year but for the considerable escalation in operational expenses due to higher interest charges payable as a result of the increase in bank rate and rise in establishment expenses. The company is making an all-out effort to step up its volume of business. The efforts, it seems, have been amply rewarded as witness the substantial increase in the company's volume of business in the first four months of the current year as compared with the corresponding period of 1970. As the buoyancy in the volume of business is expected to be maintained in the remaining months of 1971 the directors are confident that the company will be producing highly encouraging results during the current year.

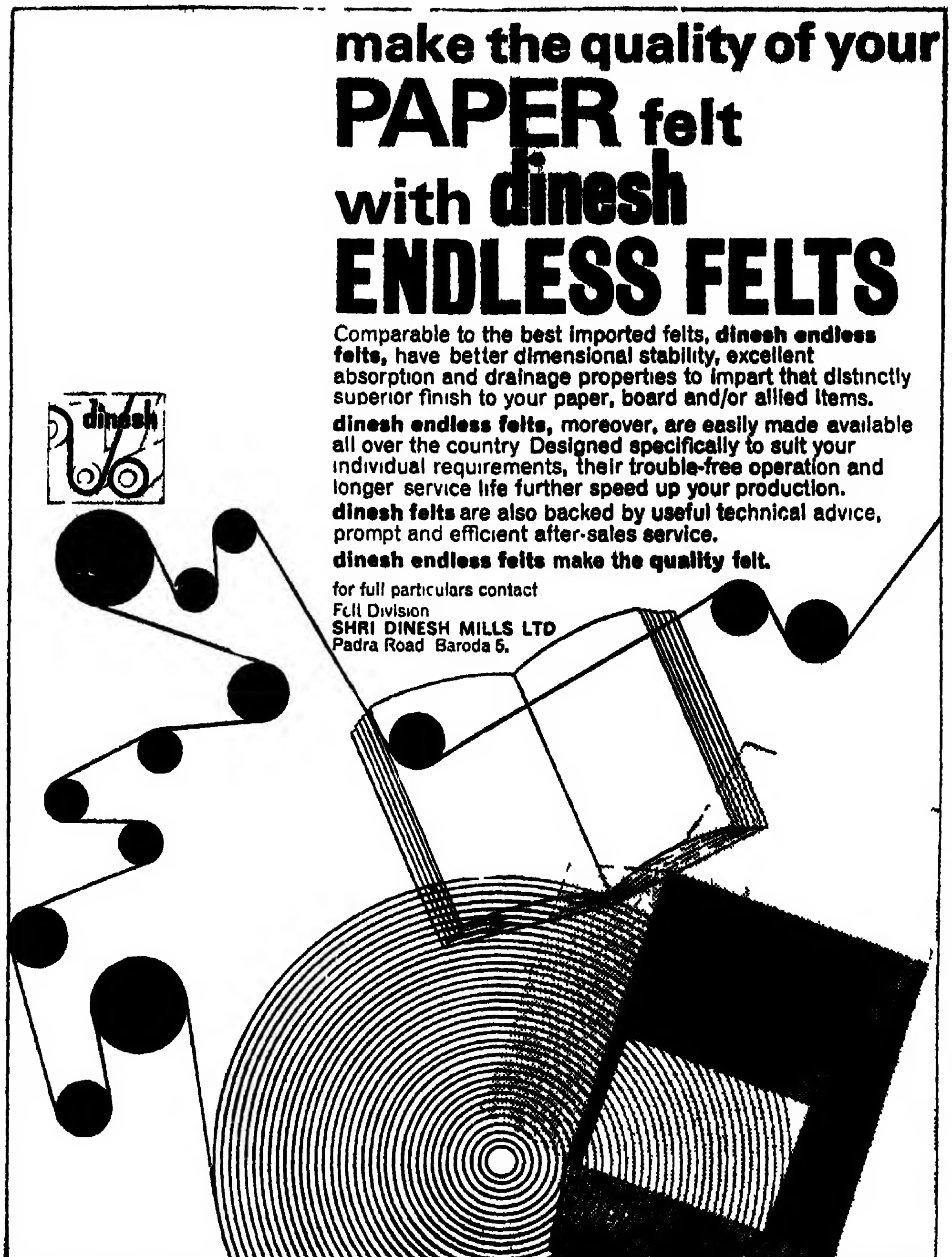
Out of the net profit Rs 24.35 lakhs the directors have set apart a sum of Rs 2.25 lakhs towards donations as against Rs 2.22 lakhs in 1969. This leaves a surplus of Rs 22.10 lakhs which has been transferred to general reserve. The appropriation to general reserve in 1969 amounted to Rs 22 11 lakhs. The directors have maintained the equity dividend at 16 per cent. It will absorbe Rs 16 lakhs and it will be paid out of the general reserve.

COROMANDEL FERTILISERS

Coromandel Fertilisers Ltd, is intensifying its marketing strategies so that its fertilisers are made available to the farmers at the right time and at the right place. Besides to cater to the areas where there is a potential demand for its fertilisers it has appointed Rallis India Ltd as its yet another major selling agent for the company. It is also further strengthening its efforts in several other areas such as farm service, demonstration plots, soil testing and news-letters for farmers' education. This was disclosed by the chairman, Mr Bharat Ram, when he was addressing the ninth annual general meeting of the company.

There was a modest overall improvement, according to the chairman, in the performance of the company in 1970 as compared to the previous year. The plant operated well and at near design capacity, except for two unprecedented breakdowns which resulted in a significant loss of production. Remedial steps however are being taken by the company to overcome these handicaps. As for power, the company is closely working with the Andhra Pradesh State Electricity Board so as to ensure stability in the flow of power. The company has also taken on hand the construction of a ten-million gallon water storage reservoir so as to reduce the frequent breakdowns in the supply of water.

Movement of fertilisers is a matter of major concern to the company. As railway wagons have not been made available in adequate measure, the company is taking steps to focus the attention of the concerned authorities



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on this major problem, and exploring the possibility of establishing a vast network of storage points all over the country. As this would mean extra costs in the handling of its products the chairman made a strong plea to the Government of Andhra Pradesh to abolish, like other states, the sales tax on fertilisers and thereby help in reducing cost of fertiliser to the farmers.

POLYSTEELS

Polysteels (India) Ltd is entering the capital market on July 5 with a public issue of Rs 32.50 lakhs in equity shares of Rs 10 each. The subscription list will close on July 15 or earlier but not before July 7. A sum of Rs 2.50 is payable on application and a like amount on allotment. The company is setting up a plant at Bhavnagar, to manufacture 50,000 tonnes of mild steel, special steel, alloy steel and carbon steel ingots and billets. This will be the first electric furnace plant in Gujarat and it will utilise steel scrap as principal raw material. At present the company proposes to install two arc furnaces. The first electric furnace will be commissioned by the end of next month and the next one by October next. The company expects an output of 35,000 tonnes and a turnover of Rs 1.60 crores in 1971-72. In the second year, when full production would be reached, the turnover is expected to rise to Rs 3 crores. The company hopes to pay a maiden equity dividend in 1971-72 and a reasonable dividend from 1972-73 onwards. The total cost of the project is estimated at Rs 1.20 crores. This will be met by capital taken by the directors and friends (Rs 27.50 lakhs), public issue (Rs 32.50 lakhs) and loans from banks and financial institutions (Rs 60 lakhs).

COMPANY MEETING

MAHINDRA UGINE STEEL COMPANY LIMITED

Statement of the Chairman,

Mr. HARISH MAHINDRA

Following is the statement of the Chairman, Mr. Harish Mahindra, to the members on the occasion of the 8th Annual General Meeting of the Company held in Bombay on 11th June 1971.

The Directors' Report and the Accounts for the year ended 31st December 1970 have already been circulated. My statements in the past used to dwell on the economic and political issues providing the background to your Company's operations. But this year I am making a departure by concentrating on topics of direct interest to you. Nevertheless we have been so close to the presentation of the Union Budget for 1971-72 that it would be desirable and appropriate if at the outset it is briefly referred to and its impact of industrial growth assessed.

BUDGET PROPOSALS:

The Government has come out with a Budget having the avowed objective of narrowing down economic disparities. Some of the measures introduced have a distinct veneer of socialism. Reading between the lines, one would find that there is a positive attempt to mould the pattern of consumption as also to further discourage conspicuous consumption. The Budget, therefore, appears to be motivated more by a desire to project a radical stance rather than to trigger off an accelerated pace of industrial investment. As far as the corporate sector is concerned, the measures to increase the rate of capital gains tax and the rate of surtax on company profits where they are in excess of 15% of the capital as also the abolition of Development Rebate after 31st May 1974, coupled with the reduction in the amount allowed to be deducted from 8% to 5% of profits in respect of priority industries whose list has also been slashed will undoubtedly hinder capital formation.

The Development Rebate Reserve, introduced in 1955, is intended to be discontinued from the end of 1973-74 for several reasons. Firstly, with such a threat of abolition of DR it is hoped that the tempo of investment between now and 1974 would be quickened. Secondly, it is presumed that the country has already built up a 'wide enough' industrial base and therefore there is no need to perpetuate DR. And, finally this step is also for the purpose of 'preventing accumulation of surplus resources and growth of large houses'. These arguments do not carry conviction and sound rather specious. There are several better ways to stimulate investment activity such as expediting issue of industrial licences for both new units and expansion than through the abolition of Development Rebate. The second argument that the country has already built up a wide enough industrial base is open to question as the prime need of the hour is to accelerate the growth of all industries for the sake of which it is essential to offer positive incentives for investment. It is also a moot point whether there is such a wide base as is presumed. If there is one, why should we be planning for expansion of capacities in Steel, machine-building industries, heavy chemicals and such other basic industries? As regards the third argument, we should bear in mind that while there are examples of a few companies who have been able to amortise an amount in excess of the capital invested in a brief period, this does not mean that all companies can do so. Much depends on the nature of the industry. Steel or Alloy Steel Industry as such, is a capital-intensive one and it takes a fairly long time before the break-even point is reached and before an organisation gets into the profitability stride.

The need to build up reserves equal to the replacement value of plant and machinery is such that depreciation by itself however much liberal it be, cannot be adequate, especially in these days of mounting prices steadily eroding the value of the Rupee. Secondly, when the time comes for replacement of Plant and Equipment, it is seldom that Industry buys the same types of equipment, which due to efflux of time would have become obsolete in view of the technological advancements. Consequently, replacement equipment would constitute more sophisticated equipment and also would be in the form of improved designs, with streamlined features incorporating the latest technical innovations. Replacement by such a modern equipment entails a higher capital expenditure than the cost of the original plant or machinery.

It is therefore urged that the commendable and progressive views with which it was introduced should not be lost sight of and the decision in regard to abolition of Development Rebate be reconsidered. Alternatively, the Government may consider a proposal put forward in 1967 by Dr. R.K. Hazari that such major tax concessions should be "(a) selective matched with plan priorities and graded accordingly with a larger differential than given at present and (b) related directly to larger output, lower cost and higher profits instead of conferring a bounty on the amount of investment per se."

The agricultural sector has continued to be a tax heaven. If the necessary processes had been set in motion to prompt and enable State Governments to tax agricultural incomes in areas of assured water supply, above an exemption limit of Rs. 15,000. if not less, it

would have helped the achievement of the crucial objective of imparting a measure of equity to our income taxation and would have made our taxation income-elastic, responsive to movements in national income. It may be stated that taxation of the prosperous pockets in the rural areas would have had to a certain extent, a distinct disinflationary effect on the price spiral by siphonintg a part of the (excess) money in circulation into Government coffers.

WORKING OF YOUR COMPANY:

Let us now turn our attention to the operations of the Company during 1970 and the first five months of 1971. It must be extremely heartening to all of you to learn that the second complete year of integrated operations of your Plant resulted in satisfactory financial results. Indeed 1970 was a year of solid achievement for your Company. We produced more ingot tonnes during the year under review — we rolled and finished larger quantities of bars and our net sales increased by nearly 67% as compared to the preceding year. So far as production was concerned, your Plant was capable of achieving higher levels of output in terms of Ingots as well as Rolled Steel but for constraints like non-availability of certain critical raw materials and consumable stores.

OUTLOOK:

As mentioned in the Directors' Report, the Company has finalised the financial plan for the Balancing Equipment and it is in the process of releasing the orders for plant and equipment required to produce 24,000 tonnes of Finished Steel on an integrated and sustained basis. The fact that in 1970 we had produced more than 26,000 tonnes should not make us oblivious to the necessity of forging ahead with the Balancing Scheme inasmuch as last year we re-rolled about 1,500 tonnes of Blooms into finished products in order to augment production.

I am happy to advise you that in furtherence of our plans to expand the capacity of your Plant and to achieve maximum economies of scale your Company has been able to submit a comprehensive plan to the Government for enlargment of the productive capacity upto 60,000 tonnes of finished Tool, Alloy and Special Steels per annum. I am also happy to advise you that our application is being sympathetically considered by the Government in the context of the widening gap between demand and production of Alloy and Special Steels in the country and we expect to receive a favourable decision shortly. In planning the expanded capacity of our Plant we shall strive to achieve maximum diversification of the end-products consistent with a favourable capital-output ratio.

Sales during the first five months of the current year continue to be satisfactory and the grosssales have amounted to Rs. 429 lacs as against Rs. 283 lacs during the corresponding period in 1970.

Your Company's present position and its outlook for the future, I believe, is fairly promising — promising in people, technological ability, product line and in dedication. However, the strength built up over the past few years will not, by itself enble us to meet the growth goals we have set for ourselves in the coming years. For this, we have to constantly strive to expand our operations and diversify our product-mix so that the goals are met or even exceeded.

PERSPECTIVE PLANNING:

The observations about our sales and the outlook for our Company prompts me to discuss briefly the developments and trends in our own industry and share some thoughts on perspective planning. Planning today is a universally accepted exercise for one and all. It involves looking as far ahead as the data on our hands and our vision permit. In the life of a corporation this means a close study of all the factors that shape its progress and influence it decisively. There are several such factors and one such all-important factor, external to the organisation that could provide the guidelines for future growth is the assessment of the potential market. I attach over-riding importance to a sincere, honest and realistic attempt to size up the approximate if not the exact requirements of a given product for a given year in the planning and creation of manufacturing capacity.

Your Company is vitally interested in making projections of its own growth with the help of macro-projections of the demand for Mild, Alloy and Special Steels released by various Government and semi-Government agencies. During the last decade there have been several such macro-projections and I have had occasion in my earlier Statements to refer to these. The latest estimates of demand for Steel have come from NCAER. Most of the studies work out the potential demand with the help of the end-use method which is a simple but down to earth technique to assess the short term as well as long term demand in developing countries. The recent estimates of NCAER also utilise the same method. But I have always felt that on account of the lack of a clear perspective, both forward as well as backward, these projections have suffered from certain limitations and shortcomings. One particular fact that strikes me is that the latest macro-projections have not paid adequate attention to the question of backward perspective by which I mean that the wrong assumptions, paradoxes and other factors which have vitiated the earlier demand studies have not been listed nor have any lessons been drawn from the previous exercises.

In the latest study of the demand for Steel, the NCAER has taken full account of (a) all the major steel-consuming sectors (b) requirements of such consumers (c) increase in demand due to export of Steel (d) Steel content of machinery and engineering goods to be exported (e) possible reduction in demand due to substitution of Steel by items such as plastics, asbestos, cement, aluminium etc. in such products as motor cars, railway rolling stock, ship-building, pipes and tubes (f) price elasticity of steel demand and (g) Steel content of imported products and so on.

The main assumption underlying the end-use method is firstly that the targets for various industries obtained from research organisations like the Planning Commission or those of NCAER itself, would be achieved. Experience tells us that this has not always been a correct assumption and plan targets for even the major steel-consuming sectors get elasticized. Also in several industries there have been shortfalls in respect of the attainment of targets. As you can see for yourselves, such shortfalls may result in over-estimation of the requirements. Conversely, where targets are exceeded, which is not often the case, the forecast of requirements for a particular industry turn out to be under-estimates.

Secondly, the success of the end-use method is largely conditioned by the accuracy of the norms that relate the Steel Industry to the Steel consuming industry by indicating the input co-efficient. Such norms are known to change with technological progress and innovations and there have been several occasions in the past when estimates have gone haywire on account of unrealistic norms having been adopted. For instance, the norms employed by the Perspective Planning Division in its 1965 estimate of the requirements of Alloy and Special Steels have been replaced by the NCAER which has employed its own norms for various industries. The end-use method thus assumes that the impact of tech-

nological changes would be minimal, if not nil on the norms of consumption of Steel. Naturally to obtain more accurate figures at the end of such an exercise, the final estimates are adjusted upwards to provide for such findings of changes in various consuming sectors. In order to make the macro-projections meaningful for the producers to plan and expand their capacity, it is essential that norms are kept under review and at the end of every year or so the Associations of Consumers and Producers should get-together and see that any significant changes in the norms are reflected in the demand figures and necessary adjustments and or corrections are made on the overall demand projections. By such an exercise, the year to year projection of demand would be rendered more realistic and would provide a workable basis to determine the gap between demand and availability.

ESTIMATES OF DEMAND FOR ALLOY AND SPECIAL STEELS:

With these considerations regarding the merits and demerits of the end-use technique in mind, let us consider the recent studies in demand estimates with special reference to the products of our own industry viz. Alloy and Special Steels. There have been as many estimates of demand for Alloy and Special Steels as there are for other Steels also. As against about 300,000 tonnes for 1973-74 and 430,000 tonnes for 1978-79, estimated by the Steering Group of the Steel Ministry in 1968 and incorporated in the Fourth Five Year Plan document, the latest study of the Council provides for 434,000 tonnes for 1975 and 817,000 tonnes for 1980.

The estimates of the Steering Committee as revised by the Technical Wing of the Steel Ministry have now become available. Accordingly the demand for Alloy and Special Steels has been revised upwards from 300,000 tonnes to 400,000 tonnes for 1973-74 and from 430,000 tonnes to 590,000 tonnes for 1978-79. What is of interest to your Company as a producer of Alloy Constructional Steel in these varying estimates is that for 1973-74 the estimates of both the Technical Wing and the NCAER arrive at almost the same figure, but for a difference of only about 2,000 tonnes. The marginal divergence however, turns out to be sizable in the estimates for the end of the Seventies. As against the Technical Wing's estimate of 178,700 tonnes for 1978-79, the Council places the demand for Alloy Constructional Steel at 23,906 tonnes for 1980.

It is now accepted that the assessment of the Technical Wing has been rather conservative and that the Council's studies despite certain limitations, are more realistic. A message that emerges loud and clear from these studies is that even after the schemes for expansion or setting up of new units on green sites which are now under consideration are successfully implemented by the end of the decade, there would still be a gap, probably substantial rather than marginal between requirements and actual production.

All said and done, the numerous estimates referred to above need to be further processed and worked upon for purposes of drawing meaningful conclusions that guide us in deciding about future investments in the creation of new Alloy Steel capacity and in determining the ideal product-mix for your or other plants. The breakdown of such broad aggregates into categories, grade, shapes, surface finish i.e. black or bright etc. is a pre-condition for successful corporate planning. Quite a few snap judgements, I am afraid, have already been made based on broad aggregate demand resulting in duplication of capacity of the same size ranges. And circumstances may force us to amend them, if not reverse such decisions. In this context I would emphasise that before a final sanction is issued for creation of fresh capacity, adequate thought is given to the point whether such fresh capacity should come about through new units on green sites or through expansion of existing units or both. Three considerations weigh very heavily in favour of the second proposition. Expansion would firstly help creation of new capacity faster; it would involve lower capital investment; and finally what is important, it would help the existing units to achieve economies of scale.

DEMAND ESTIMATES AND MUSCO'S GROWTH:

The necessity of a precise assessment of the demand for Alloy Steel acquires special significance for MUSCO in view of the fact that, as indicated in the Directors' Report, so far the inflow of orders for our products for the current year has not been upto our expectations. In their anxiety to mitigate the steel shortage in the country, the Government liberalised the import policy and in the process large licences had also been issued for Tool, Alloy and Special Steels. With the liberalisation of imports coupled with the fact that recessionary trends continued to prevail in the offtake of Diesel Engines, Machine Tools, Spring Steels, Railway Wagons etc. the inflow of orders dropped considerably with the result that planning of economic rolling tonnages for different size ranges posed considerable problems to the producers. Pursuant to the representations made to the Government in this respect, I am happy to say that Import Licensing Policy has been reoriented, aiming at imports of only such of those categories and types of steels as are not available in adequate quantities in the country.

The impact of recent restrictions on imports will not be fully felt until the end of this year. At the moment, however, the order inflow appears to be looking up and it is hoped this trend will grow more distinct.

Taking the long range aspect into account, it may be stated that the growth potentials of the Automobile Industry which accounts for a large part of the offtake of our products have not been fully realised owing to various reasons. Automobile production, inclusive of Jeeps, Cars and Commercial Vehicles put together in about half a dozen plants, does not exceed 90,000. This is a highly anomalous situation insofar as it is an accepted fact that there must be a minimum production of at least 50,000 units per plant if the economies of scale have to be realised. It should therefore, be hoped that the Government will come to certain positive conclusions about the small car project without further delay as this has kept a number of related considerations in suspense. The slow growth of the transport sector in general and the automobile industry in particular does not bode well for our industry and the bell tolls for quickening the rate of growth. In this context the recent reports about the likely establishment of a private sector small car plant with a capacity of about 50,000 cars per annum and the licensing of additional capacity for manufacture of commercial vehicles are doubly welcome.

MINI STEEL PLANTS:

In my Statement last year I had occasion to refer to the fact that the establishment of Electric Arc Furnaces with continuous casting facilities has received the imprimatur of essentiality from the Government. There after a lively interest has come to be evinced in this matter. In fact even the Minister of Foreign Trade also has been credited with suggesting the setting up of Mini Steel Plants either on a captive basis to cater to the needs of particular engineering industries or on a decentralised basis, so that export production is not hampered due to steel shortage. The capacity of each mini steel plant has been placed at about 50,000 tonnes

of billets a year using the concast process. They may have either sponge iron or scrap or pre-reduced pellets as the feed stock. Recently the Minister for Steel made it known that six mini steel plants had been licensed, four in the private sector, one in the joint sector and yet another in the public sector. And six more similar projects may get final sanction by 1974. All in all, the dozen or so new mini plants would augment the country's steel capacity by 600,000 tonnes by the beginning of the Fifth Plan.

Although a decision to permit establishment of mini steel plant is a step in the right direction, I think that before new projects are sanctioned the pros and cons of producing the mild steel and special steel in these plants with particular reference to the production cost aspect should be thoroughly looked into so that they can meet squarely the competition from the integrated steel plants.

In the final analysis, it is high time that a master perspective plan for the speedy expansion of Steel capacity in the country is drawn up and Government and Industry jointly and single-mindedly work for the crystalisation of such plans. This exercise has to be preceded by clearer thinking about the future needs. Fortunately, there is not much of a dispute in regard to the rapid development of the Steel Industry. The Prime Minister herself has acknowledged the fact that "the capacity for Steel making would have to be doubled every 10 years". In Japan the crude steel output itself is being doubled every 4/5 years from 7.6 million tonnes in 1953 to 10 million tonnes in 1956, to 23 million tonnes in 1960, 41.3 million tonnes in 1965 and 82.2 million tonnes in 1969. This year it may cross the 100 million tonne mark.

Earlier there has been a reference to the need for forward and backward perspective in Steel planning. Steel planning in our country is now about 15 to 20 years old and the country has had considerable experience. Such experience is most invaluable at a time when the country is likely to be short of Steel during the entire decade of the Seventies. The time is now opportune for the numerous plans and estimates to be placed side by side, compared and our experience in this field consolidated so that the future exercises are spared of any past mistakes.

FEEDER INDUSTRIES:

A corporate or industrywise perspective plan considers not only the market pontential for a product but also the derivative demand for essential inputs to be supplied by the feeder and ancillary industries. Only such an assessment of the requirements and availability of raw materials would give meaning and content to the perspective plan. For instance one cannot plan the growth of Electric Furnace without a careful and painstaking study of the supplies of raw materials that would be forthcoming from the feeder industries. The appreciable growth of the Electric Furnace Industry cannot be maintained even in the future unless supplies of the inputs match the growing needs. As of now, it is estimated that there are about 170 Electric Arc Furnaces with a hot metal capacity of about 2.05 million tonnes. Capacity utilisation has been estimated at about 70%. This is likely to improve by another 10% in the current year. The installation of Steel Furnaces could grow at a more vigorous rate but for the constraints in the form of raw material shortages. They are not unique to our industry but happen to be almost world-wide phenomena though there could be differences from country to country in regard to the magnitude of such shortages. Attention must therefore be paid to the feeder industries as also to their growth. These problems and constraints in regard to ferrous scrap, graphite electrodes, refractories, nickel, ferro-alloys etc. are not an easy matter to come to grips with. They make the task of planning the future growth of furnaces rather difficult.

POWER TARIFF:

In these columns, during the earlier years I have been urging the Government of Maharashtra to re-structure the power tariff in the State in a way which will give certain tangible benefits to power intensive industries. Electric power is one of the basic inputs for producing Steel in Electric Furnaces. It is therefore necessary to revise the power tariff applicable to metallurgical industries in particular, with a view to giving a competitive edge to steel produced within the State. With the same objective, States like Haryana, Kerala, M.P., Mysore, Punjab and Rajasthan offer different kinds of concessions or rebates to electro-chemical and electro-metallurgical industries. It should be hoped that the Committee appointed by the Government of Maharashtra headed by the Industries Commissioner to enquire into this question would keep these facts in mind in as much as power costs will largely determine the growth prospects of metallurgical industry in Maharashtra. The State should aspire to have atleast 25% of the liquid metal capacity and this can only be achieved if the disincentive in the form of a high power tariff is removed.

IMPORT CANALISATION:

A passing reference is also called for in regard to the canalisation of import of essential raw materials of our industry and its possible impact. According to the latest import policy, imports of graphite electrodes have been canalised through the STC, refractories and refractory materials through MMTC/HSL, ferro molybdenum, ferro-tungsten, ferro-vanadium and ferro-silicon, stainless steel sheets, plates and strips, heavy melting scrap, sponge iron and nickel through the MMTC. It is provided that the import control authority would issue the necessary release orders to bulk importers.

I have had occasion to refer in the past to the increased faith the Government has been putting in State Trading. Ever since they were set up, State Trading agencies have not fared well in their effort to import in bulk several items including sulphur, rock phosphate, chemicals, copra, betelnuts, soyabean oil etc. It is doubtful, looking at their past record, whether such agencies would literally deliver the goods of the right quality, at the right time and at the right price. There are enormous complexities attending upon such business especially in relation to the hundreds of specifications regarding quality, sizes, delivery periods, sources of supply and in short the dynamics of the world market. It should, therefore, be hoped that the normal production and growth of the Alloy Steel Industry is not jeopardised on account of the inconveniences that may be caused in the supply of indipensable raw materials.

CORDIAL RELATIONS:

Your Company has been able to maintain the most cordial and happy relations with its employees in the Plant as well as Head Office during the year under review and I would like to record my sincere appreciation of the hard and conscientious work put in by the employees. I would also like to express my gratitude to the colleagues on the Board whose wise counsel and advice has largely helped me to discharge my responsibilities. We continue to receive valuable technical assistance and cooperation from our Collaborators and Partners, Ugine Kuhlmann.

Note: This does not purport to be the record of the proceedings of the eighth annual general meeting of the company.

RECORDS AND STATISTICS

Estimates of National Income

THE PROVISIONAL estimate of national income at 1960-61 prices for the year 1969-70 shows an increase of 5.3 per cent over the previous year against a rise of 2.4 per cent in 1968-69 over 1967-68. The net output from agriculture in 1969-70 registered a rise 5.1 per cent over the preceding year. The corresponding increase in manufacturing sector (including large and small scale manufacturing) was 4.9 per cent. Per capita income increased by 2.9 per cent in 1969-70 as against a small rise of 0.2 per cent in 1968-69. The estimates of national and per capita income for the years 1960-61 to 1969-70 at current prices and 1960-61 prices as well as percentage increase in these estimates over the previous year at 1960-61 prices are given in Table I.

The variations in the rates of growth of the national income as well as per capita income as shown in Table I are mainly due to fluctuations in the output from agriculture.

A study of the estimates of Net Domestic Product (NDP) at 1960-61 prices by industries for the years 1960-61 to 1969-70 throws light on changes in the industrial structure of the Indian economy during the decade. Table II gives the percentage composition of NDP by broad industrial sectors namely, primary, secondary and tertiary.

The primary sector comprising agriculture, forestry, fishing and mining accounted for nearly 52 per cent of the NDP in 1960-61. The percentage declined to 45 in 1969-70. The secondary sector covering manufacturing, construction, electricity, gas and water supply contributed 19 per cent of the NDP in 1960-61. The contribution rose to 22 per cent in 1969-70. The tertiary sector consisting of the rest of the industries was responsible for 29 per cent of the NDP in 1960-61. The share of this sector increased to 33 per cent in 1969-70. The pace of change in the structure has been slow, but the trend has been sustained over the decade.

It may be added, however, that though the percentage share of the primary sector declined during the decade, in absolute terms, the NDP of the primary sector increased by 17.2 per cent from Rs 6965 crores to Rs 8166 crores.

Consolidated accounts of the nation persented for the first time in the last White Paper on national product covered the period 1960-61 to 1965-66. The accounts have now been extended to two more years and reveal some interesting trends. National saving at current prices for the years 1965-66 1966-67 and 1967-68 worked out to Rs 2477 crores, Rs 2359 crores and Rs 2437 crores respectively. Saving as a percentage of national income at market prices estimated at 8.6 in 1960-61 touched the peak in 1965-66 at 10.9. During the next two years the rate of saving declined. It went down to 9.0 per cent in 1966-67 and 7.9 per cent in 1967-68. The same trend is indicated in the rate of net domestic capital formation at current prices which increased from 12.1 per cent in 1960-61 to 13.5 per cent in 1965-66 but declined to 12.3 per cent in 1966-67 and to 10.7 per cent in 1967-68. The gap between saving and investment has been bridged by net capital inflow from abroad which increased from Rs 588 crores in 1965-66 to Rs 846 crores in 1966-67 and Rs 858 crores in 1967-68.

Selected tables relating to national product at factor cost and NDP at factor cost by industry of origin at current and 1960-61 prices follow on pages 1187 and 1188.

TABLE I

NATIONAL INCOME

	At current prices		At 1960-61 prices		Percentage increase over the previous year in National Income (at 1960-61 prices)	
	Total (Rs crores)	Per capita (Rs)	Total (Rs crores)	Per capita (Rs)	Total	per capita
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1960-61	13294	306.3	13294	306.3	..	..
1961-62	14050	316.4	13763	310.0	3.5	1.2
1962-63	14873	327.6	14045	309.4	2.0	—0.2
1963-64	17094	368.4	14845	319.9	5.7	3.4
1964-65	20061	423.2	15917	335.8	7.2	5.0
1965-66	20621	426.1	15021	310.4	—5.6	—7.6
1966-67+	23930	482.9	15243	307.9	1.5	—0.8
1967-68+	28374	560.8	16660	329.2	9.3	6.9
1968-69+	28678	554.7	17057	329.9	2.4	0.2
1969-70+	31174	589.3	17955	339.4	5.3	2.9

+Provisional

TABLE II

COMPOSITION OF NET DOMESTIC PRODUCT BY BROAD SECTORS (PERCENTAGES)

(At 1960-61 prices)

Year	Primary	Secondary	Teritiary
(1)	(2)	(3)	(4)
1960-61	52.1	19.0	28.9
1961-62	50.8	19.7	29.5
1962-63	48.5	20.7	30.8
1963-64	47.4	21.4	31.2
1964-65	47.9	21.3	30.8
1965-66	43.9	22.5	33.6
1966-67+	43.2	22.5	34.3
1967-68+	46.1	21.4	32.5
1968-69+	45.1	21.6	33.3
1969-70+	45.0	21.6	33.4

+Provisional

TABLE III

NATIONAL PRODUCT AT FACTOR COST

(Rs crores*)

Item	1960-61	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67+	1967-68+	1968-69+	1969-70+
Net National Product										
At current prices	13294	14050	14873	17094	20061	20621	23903	28374	28678	31174
At 1960-61 prices per capita net national product (Rs)	13294	13763	14045	14845	15917	15021	15243	16660	17057	17955
At current prices	306.3	316.4	327.6	368.4	423.1	426.1	482.9	560.8	554.7	589.3
At 1960-61 prices index number of net national product	306.3	310.0	309.4	319.9	335.8	310 4	307 9	329.4	329.9	339.4
At current prices	100.0	105.7	111.9	128.6	150.9	155.1	179.8	213.4	215.7	234.5
At 1960-61 prices index number of per capita net national product	100.0	103.5	105.6	111.7	119.7	113 0	114.7	125 3	128.3	135.1
At current prices	100.0	103.3	107.0	120.3	138.2	139.1	157.7	183.1	181.1	192.4
At 1960-61 prices gross national product (Rs crores*)	100.0	101.2	101.0	104 4	109.6	101.3	100 5	107 5	107.7	110 8
At current prices	14029	14860	15803	18088	21176	21839	25285	29889	30329	33019
At 1960-61 prices index number of gross national product	14029	14547	14930	15758	16900	16023	16307	17777	18225	19173
At current prices	100.0	105.9	112.6	128 9	150 9	155.7	180 2	213 4	216 2	235.4
At 1960-61 prices	100.0	103.7	106.4	112.3	120.5	114.2	116 2	126.7	129 9	136 7
Estimated population (million)	434	444	454	464	474	484	495	506	517	529

*Crore=10 million +Provisional

TABLE IV

NET DOMESTIC PRODUCT AT FACTOR COST BY INDUSTRY OF ORIGIN

(At current prices)

(Rs crores*)

Industry	1960-61	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67+	1967-68+	1968-69+	1969-70+
Agriculture	6570	6771	6905	8015	9846	9523	11491	14569	13859	14905
Forestry and logging	174	198	206	247	260	298	383	417	4709	513
Fishing	77	86	86	95	108	124	137	154	173	196
Sub-total	6821	7055	7197	8357	10214	9945	12011	15140	14502	15614
Mining and quarrying	144	149	178	204	204	234	252	290	316	339
Manufacturing: registered sector	1071	1176	1298	1518	1686	1839	1970	2041	2192	2483
Manufacturing: unregistered sector	785	864	924	1082	1182	1225	1325	1460	1556	1694
Construction	620	653	701	792	894	942	1072	1265	1289	1485
Electricity, gas and water supply	68	77	87	109	128	144	177	200	243	266
Sub-total	2688	2919	3206	3705	4094	4384	4796	5256	5596	6267
Transport & communication	569	640	719	787	856	930	1034	1134	1313	1433
Railways	252	281	313	353	360	400	426	421	470	497
Communication	63	72	80	91	100	113	132	147	174	196
Transport by other means	254	287	326	343	396	417	476	566	669	740
Trade, storage, hotels and restaurants	1301	1389	1194	1705	2069	2235	2663	3067	3132	3361
Sub-total	1870	2029	2213	2492	2925	3165	3697	4201	4445	4794
Banking and insurance	158	183	224	249	288	341	362	416	459	504
Real estate and ownership of dwellings	386	403	447	528	562	596	638	659	700	729
Public administration and defence	538	593	668	778	890	989	1099	1247	1393	1502
Other services	905	966	1026	1099	1236	1366	1533	1714	1841	2022
Sub-total	1987	2145	2365	2654	2976	3292	3632	4036	4393	4757
Total: Net Domestic Product	13366	14148	14981	17208	20209	20786	24136	28633	28936	31432

*Crore=10 million +Provisional.

TABLE V

NET DOMESTIC PRODUCT AT FACTOR COST BY INDUSTRY OF ORIGIN

(At 1960-61 prices) (Rs crores*)

Industry	1960-61	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67+	1967-68+	1968-69+	1969-70+
Agriculture	6570	6617	6439	6606	7224	6145	6094	7193	7165	7539
Forestry and logging	174	184	187	205	202	226	252	259	275	281
Fishing	77	80	76	83	91	93	95	94	104	105
Sub-total	6821	6881	6702	6894	7515	6464	6441	7546	7544	7925
Mining and quarrying	144	152	172	189	180	205	212	221	227	241
Manufacturing registered sector	1071	1178	1291	1421	1543	1572	1579	1593	1664	1763
Manufacturing: unregistered sector	785	849	886	949	1007	990	1005	1051	1092	1129
Construction	620	627	661	727	745	714	739	811	786	839
Electricity, gas and water supply	68	79	88	107	118	131	140	152	171	187
Sub-total	2688	2885	3098	3393	3593	3612	3675	3828	3940	4159
Transport and communication	569	614	659	709	737	779	803	843	889	941
Railways	252	270	287	311	314	340	346	347	366	385
Communication	63	69	76	85	88	96	102	109	113	118
Transport by other means	254	275	296	311	335	343	355	387	410	438
Trade, storage, hotels and restaurants	1301	1387	1457	1572	1679	1684	1730	1788	1851	1942
Sub-Total	1870	2001	2116	2281	2416	2463	2533	2631	2740	2883
Banking and insurance	158	179	192	206	210	218	218	222	249	272
Real estate and ownership of dwellings	386	395	412	437	443	458	477	487	496	512
Public administration and defence	53[illegible]	579	654	729	820	857	905	944	1039	1116
Other services	905	939	981	1018	1062	1101	1143	1184	1225	1265
Sub-total	1987	2092	2239	2390	2535	2634	2743	2837	3009	3165
Total Net Domestic Product	13366	13859	14155	14958	16061	15173	15392	16842	17233	18132

*Crore 10 million +Provisional

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The Finance Minister's views on incentives happen to be the same as the Prime Minister's. This, of course, need not surprise us and if such excellent similarity of thinking promotes a 'happy family atmosphere' in the government the country will no doubt benefit in one way or the other. All the same it may be a matter of concern to some of us that the economic future of this country should be so much at the mercy of certain politicians who do not seem to have either the inclination or the mental equipment to think seriously about the realities of economic growth.

—*from* **MEETING THE MINISTERS**

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The Crossword of Cotton Textiles

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MEETING THE MINISTERS

FOR THE last few years the Press Information Bureau of the Government of India has been inviting economic journalists from New Delhi and other parts of the country to a series of discussions with central ministers and their officials in the capital. Held within a few weeks of the presentation of the central budget, these discussions are primarily intended to provide background information on the government's policies or trends of thinking among its policy-makers. But they also serve simultaneously as an occasion for the exchange of ideas and views among the participants. This year this conference had the added merit of enabling some of the new members of the Council of Ministers to go through their paces before a critical but not unsympathetic assembly.

Unfortunately it was not possible for me to attend all of these discussions. In fact I had to miss quite a few of them and I am therefore all the more pleased with the opportunity I had of watching the new Minister for Industrial Development, Mr Moinul Haque Choudhury, perform with a reassuring formality and with a certain freshness which was almost boyish. Mr Choudhury, it is true, does not at present know all that a Minister of Industrial Development may know about the problems and processes of industrialisation of this country, but I personally am willing to wait for him to grow up in his job.

Mr Choudhury, undoubtedly is naive in many ways. He ventured, for instance, into an avoidable elaboration of the cause of the public sector which was noteworthy only for its betrayal of his over-simplified thinking on the subject. This, however, was not very important and, as I had suggested earlier, Mr Choudhury has time to mature. What is important at this stage is the genuine enthusiasm of the man for the industrial growth of this country. His notions of how this growth may or could be promoted may not be mine, but my recollections of another minister who had earlier held the portfolio of Industrial Development being what they are, I cannot but feel happy that Mr Choudhury at least does not think that industrial expansion is an expendable luxury for our country. On the contrary he declared categorically that, so far as his ministry was concerned, he would attempt to ensure that the government's industrial licensing policy did not come in the way of the expansion of existing industries or the birth of new ones through which alone the problem of unemployment could be dealt with. He practically committed himself to the position that anybody who wanted an industrial licence could have one for the asking provided of course this 'anybody' was not somebody having to do with the large or larger business houses.

Our hour-long conversation with a relaxed and readily forthcoming Prime Minister was chiefly concerned with the tragedy of East Bengal and its repercussions on the security and economy of India. She was forthright in affirming her conviction that they would return to their own homeland, the implication being that she was fully persuaded that, sooner or later, there would be a political settlement in East Bengal of a kind which would make this possible. The Prime Minister mentioned the strain on the financial resources of the government and she readily agreed when it was suggested that the pressure on material resources such as transport also posed grave problems. Currently there is a shortage of medicines and here there is clearly need for international assistance to be supplemented by increased production in the domestic pharmaceutical industry. A quick move on the part of the concerned ministry to assist manufacturers in stepping up the output of needed drugs and medicines therefore seems imperative.

When the discussion touched more purely economic issues, it brought out the disturbing fact that the Prime Minister does not believe any longer in the concept of incentives for investment or business enterprise. She seems to have convinced herself that incentives merely mean businessmen profiting at the expense of the government and the community alike. As the leader of a party and a government opposed to the rich getting richer, the Prime Minister is therefore unable to see any merit in criticisms levelled against some of the direct tax proposals in the latest central budget.

The Finance Minister's views on incentives happen to be the same as the Prime Minister's. This, of course, need not surprise us and if such excellent similarity of thinking promotes a 'happy family atmosphere' in the government, the country will no doubt benefit in one way or the other. All the same it may be a

matter of concern to some of us that the economic future of this country should be so much at the mercy of certain politicians who do not seem to have either the inclination or the mental equipment to think seriously about the realities of economic growth. There may be a case for associating the stick with the carrot --there often is--, but to throw away the carrot altogether would clearly be a foolish act.

In the economic sphere as much as in the political sphere, the exercise of authoritarianism is bound to prove counter-productive. The delicate dynamics of any free society demands that human nature should be respected and not attempted to be thwarted. The Finance Minister seems to take pride in saying that he has no faith in the proposition that the lowering of the rates of taxation would help to bring more revenues to the government both by discouraging evasion and encouraging economic activity in the community. Mr Chavan confesses to a holy fear of becoming a two-time losser—losing revenue through lower taxation without gaining revenue through reduced evasion. According to him, it would be imprudent for a Finance Minister to have any dealings with arguments based on human psychology. In Mr Chavan's cynical world there will always be tax evasion, whether the premium on evasion is high or low, while whatever the pecuniary attractions of lower rates of taxation may be, no man would save more or work harder than he might anyhow. Such is the emotional or intellectual stuff out of which our rulers would weave their platform rhetoric about the happier days which, thanks to their vaunted dedication to the cause of the poor, allegedly lie ahead of the common man.

--EDITOR

Labour Trouble and Rubber Industry

RUBBER is in glut and it would be surprising to be told that buffer stock operations have had to be carried out by the State Trading Corporation (STC) for firming up prices of natural rubber to the minimum level fixed by the government. In spite of the fact that under normal conditions it would have been still necessary to import stipulated quantities of natural and synthetic rubber for meeting a marginal deficit, the government's fiat on rubber prices has proved ineffective and the STC has found itself unequal to the task of enforcing the minimum price.

Who exactly benefits by the difference between market prices which are nearly Rs 80 per quintal below the minimum price and the latter is anybody's guess. For, the main consumers are prevented from acquiring stocks below the minimum prices and what all can be done is to effect purchases in a way that better grades of rubber are secured by them for the same price. The rubber estate owners are naturally worried about the accumulation of stocks and it was even suggested by the union Deputy Minister for Foreign Trade, Mr A.C. George, sometime back that there should be export of rubber for earning foreign exchange and relieving the distress of the plantation industry. It is rather unfortunate that matters should have come to such a pass. No serious attention was paid until recently to the problems which were responsible for inflating the cost of production as it was felt that there would be no surplus of either synthetic or natural rubber in the foreseeable future, and high cost rubber could be thrust on the main consumers. This kind of thinking encouraged the periodical adjustments in wages of workers and the lack of any sense of urgency in implementing the programme of replantation of existing acreage and bringing also new area under rubber.

However the liberal deal given to the rubber industry in the past few years has been reflected in an impressive rise in the output of rubber and the replantation of acreage at least by the bigger estates. The output for 1970-71 is expected to constitute a record at 90,000 tonnes and there may be an increase by more than 10 per cent annually in the coming years as replanted areas are getting ready for tapping. But the business of rubber cultivation is not now proving to be profitable in spite of various incentives and the working results of many rubber companies published recently show that the average prices realised in 1970 were less than the minimum and quite a number of estates have been obliged to report losses. The view is even put forward that many estates will not be able to operate on a reasonably profitable basis without realising the minimum prices and the break-even point is fairly high at five rupees per kg. With such a high level of cost it cannot be expected that Indian rubber can compete actively in the international market. There will have to be heavy subsidisation of exports for over Rs 1,500 per tonne of natural rubber, which would mean that even on exports of 15,000 tonnes the subsidy would amount to Rs 2.25 crores, for earning foreign exchange of about five crores of rupees. It would serve no useful purpose to attempt to establish an export trade in rubber through heavy subsidies as a long-term view cannot be taken. It would be far more advantageous to export tyres and rubber goods after they were manufactured with payment of suitable subsidies. But herein lies the rub.

The present impasse has come about because of the troubled situation in the tyre industry. In the past three years it has not been possible for this major industry to increase its output in spite of the fact that many units have been executing ambitious expansion schemes by incurring heavy capital expenditure. Apart from the disastrous strike for a prolonged period in a big unit which seriously affected production in 1969, there has been interruption to working of the other units in 1970. Even now one factory in West Bengal is unable to overcome its labour problems while another major unit in Madras has suffered due to labour trouble for over two months. There was a drop in output in the Delhi region due to power cut and go-slow tactics of labour with the result it is apprehended that there would be no net increase in the output of tyres in 1971 for the third year in succession. There can of course be a distinct improvement in availability if all the factories can operate smoothly in the latter half of the year.

Many expansion schemes are expected to yield results in the coming months and it would be possible to raise output by 10 per cent in the aggregate if there were no new problems. As a result of a big shortfall in output and an increase in the demand for heavy duty tyres, it is reported that there is even a heavy premium over the list prices in some areas and tyre companies have been obliged to change their pattern of production and concentrate attention on the manufacture of certain types which are in short supply. As the tyre industry accounts for over 60 per cent of total consumption of rubber there can be easily an increase in the offtake of natural rubber by about 10,000 tonnes if only there is a improvement in the labour situation in the next six months as stated above. There are also some other factors which have been responsible for the difficulties experienced in marketing a larger output of natural rubber.

The availability of synthetic rubber too has distinctly improved in the past year. The only large-sized unit in the country functioning in UP has overcome its technical problems and with the easier availability of alcohol, the output in 1970 exceeded the rated capacity of 30,000 tonnes. The unit actually claimed that even a higher level of production would have been achieved but for the lack of demand and an accumulation of stocks. Even this recovery in

production of synthetic rubber would not have had a depressing effect on rubber prices, if the manufacturers of rubber goods continued to be busy. However, the intransigence of labour has prevented the full use of available quantities of synthetic rubber. The largest manufacturer of footwear has been compelled to suspend working due to labour trouble while another factory in West Bengal engaged in the production of rubber hoses, tubing and belting has remained closed for several months for the same reason.

There is also another significant development of far-reaching consequence. The use of rubber in footwear and other rubber goods is now being dispensed with wherever possible as its substitution by plastic compounds is considered more profitable. In fact, a large-sized factory for the manufacture of PVC shoes has come up in Maharashtra while many existing units are already using polyvinyl chloride for complete chappals, and for other purposes where rubber was being used before. Foam products too are now based on plastic compounds and they are becoming increasingly popular.

The government has even thought it worthwhile to levy a higher excise duty on this range of products in the latest budget. This is certainly a desirable development from the point of view of the balance of payments position as otherwise it would have been necessary to permit imports, albeit in restricted quantities, involving expenditure in foreign exchange. The use of polyvinyl chloride and other plastic materials will probably become more extensive in the coming years and it may be necessary to revise our estimates of consumption of synthetic and natural rubber in the immediate future.

A gloomy view should not however be taken of the prospects for the rubber industry. The present situation has been brought about entirely by labour trouble. Under normal conditions it can be safely estimated that there will be demand for synthetic and natural rubber to the extent of 150,000 tonnes annually. Even if there is an increase in the yield of natural rubber to 100,000 tonnes in 1971-72 and if the synthetic rubber plant can step up its output to 36,000 tonnes, which is not an impossibility, there will be no glut even after taking into account the availability of 10,000 tonnes of reclaimed rubber. There will of course be no need for imports of rubber, except for small quantities of special grades of the synthetic product for some time. Indeed if there can be a steady increase in the production of natural rubber by over 10 per cent annually, and the capacity of the synthetic rubber plant can be expanded by 25 per cent with the installation of balancing equipment, imports of rubber can be successfully avoided. New plans for increasing rubber production in the desired varieties will of course have to be formulated in the light of the new developments.

Only, it should be remembered that the present phenomenon of glut when there should be a marginal deficit in rubber availability is due to an unfortunate bunching of labour strikes in several establishments and once these abnormalities disappear, there will be a revival in demand for rubber.

Sugar Decontrol : A Welcome Measure

THE RECENT decontrol of sugar has been welcomed both by the consumers and the industry. According to Mr S.K. Somaiya, President of the Indian Sugar Mills Association (ISMA), the industry has "abiding faith in the market mechanism and cannot but think in terms of freedom from controls." While controls over price and distribution of sugar have been withdrawn, the releases of sugar from stocks would, however, be regulated by the government so as to minimise the fluctuations in prices. During the first four weeks of sugar decontrol, sugar prices have moved narrowly thanks to the comfortable stock position and adequate releases.

The sugar industry, was, however, administered a warning on June 9 by Mr Fakhruddin Ali Ahmed, the central Minister of Food and Agriculture, in his address to the ISMA; he said that the government would not hesitate to regulate again both price and distribution of sugar if it was found that the industry and trade were not playing fair. The sword of Damocles, therefore, continues to hang over the sugar industry and if the sugar prices tend to get out of control for whatever reasons, the government would not hesitate to re-clamp price and distribution control.

It follows that the government has initiated decontrol of sugar as an ad hoc measure and not because it has faith in the policy of decontrol. That is why Mr Somaiya made a specific plea in his recent presidential address that decontrol should not be a short-term expediency. He cited the following excerpt from the Sen Commission Report which criticised ad hocism in unmistakable terms: "Short-term palliatives have postponed long-term remedies. Ad hoc measures to deal with specific problems have only too frequently militated against comprehensive solutions. In fact, 'ad hocism' has been one of the worst man-made causes of instability faced by the industry".

In view of the threat held out by Mr Fakhruddin Ali Ahmed regarding reimposition of distribution and price control and the demand for nationalisation of sugar industry by some members of Parliament belonging to both

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It has for quite a long time been supposed that India's staple exports are so generally in demand all the world over that there is no cause for undue apprehension on that account. It is necessary to examine how far this supposition is correct to-day in the vastly altered character of foreign trade in the last 15 years and more particularly during the present war and the requirements of the internal economy. In the first place during the war the composition of our export trade has vastly altered. In 1938 Manufactured Articles comprised only 30·5% of exports and RawMaterials and Food 44·3% and 23·5% respectively. In 1944 Manufactured Articles were 51·5% and Raw Materials and Food 24·7% and 22·5% respectively. It is difficult at this stage to predict whether this re-orientation is permanent. To some extent the greatly increased importance of cotton manufactures accounts for this, not to mention the inevitable war time dislocations and scarcities which gave Indian manufactures foreign markets. Retaining markets in manufactured articles is, however, a much more difficult affair than retaining markets in agricultural commodities. In the former, competition from advanced industrial countries which kept aloof during the war but which will make soon their re-entry would be a serious adverse factor to reckon with and signs are not lacking of this scramble for markets although the scarcities of the immediate post-war years might mitigate it.

the ruling party and the opposition, it is feared that the decontrol of sugar would be short-lived. The chances of decontrol being ended would, however, depend upon the trend in sugar output which in the current year is likely to register a slight decline over the preceding year.

The production of sugar in 1969-70 (sugar season ending in September 1970) reached an all-time peak at 4.26 million tonnes as against 2.16 million tonnes in 1966-67, 2.25 million tonnes in 1967-68, and 3.36 million tonnes in 1968-69. The rising trend in the production of sugar was accompanied by increasing opening stocks from 438,000 tonnes in 1968-69 to 2.09 million tonnes in 1970-71. It is this easy position in regard to the supply of sugar which emboldened the government to try decontrol but once the tide turns and both production and stocks decline, the prices of sugar would tend to harden again, giving the government a chance to clamp controls. Already there are indications that the total production of sugar in the current season at 3.80 million tonnes would be lower than the corresponding production of last season by nearly half a million tonnes.

Keeping this in view, Mr Somaiya had suggested in his presidential address that adequate follow-up measures were necessary to make the policy of decontrol a real success. He had rightly stressed the need for increased production of sugar in the next season which would be possible only if the government initiated some vital measures, the most important being a scheme of price support in the case of gur. Whenever gur prices ruled below the economic level there was a sharp fall in cane acreage in gur areas with the result that in the following season, gur prices tended to rise thus improving realisations on cane and causing large-scale diversion of sugarcane from factory areas to gur areas. This tendency can be checked only by maintaining gur prices at an economic level.

In the larger interests of the sugar industry, it is necessary to eliminate wide fluctuations in sugar prices and the government can play an important part in this regard by judicious regulation of its monthly releases. Mr Somaiya assured the government that the industrry was not in favour of wide variations in prices because it did not benefit it. On the other hand, he also pleaded with the government that minor variations in prices should not induce it to hasten the reimposition of controls.

It is a known fact that sugar industry is a seasonal one. What it produces in five months is consumed in 12 to 16 months and, as in the current year, some extra stocks have to be carried forward. The carry-forward of heavy stocks which in the current year is equivalent to half the total production in a good year, is not possible unless adequate bank finance is made available to factories. Mr Fakhruddin Ali Ahmed gave the industry an assurance that the government would consider the industry's suggestion for a reduction in margins on advances against sugar. If bank credit to the industry is liberalised, it will also help the factories in meeting their obligations regarding sugarcane payments in time to growers.

The credit made available by banks to the sugar industry has so far fallen far short of its demand. The huge stocks carried by the industry involved financial commitments of the value of about Rs 450 crores, the bank advances in the peak period were no more than Rs 260 crores which kept the resources gap at about Rs 190 crores. This financial strain, in the words of Mr Somaiya, "completely incapacitated" the sugar factories with the result that they found it impossible to meet their obligations in time.

The long-term solution to the problems currently being faced by the sugar industry lies in taking all possible steps to accelerate the cane development activities particularly in the northern region. The areas which have low productivity can improve their performance if they are given assistance by the factories. In other words, close co-operation between the cane-growers and sugar factories is absolutely necessary for raising the productivity of sugarcane in the low productivity areas. Factories, therefore, should be given opportunities to develop cane in their reserve areas. Improved yield of cane in these areas would no doubt be beneficial to the factories because they would be assured of regular cane supplies but this would also assist the cane-growers through increased incomes consequent upon improved yields from their lands.

The Crossword of Cotton Textiles

R.V. MURTHY

THE MAIN sources of worry and the major imperatives for survival of the industry formed the ringing theme of the chairman, Mr Ramakrishan Ruia's address at the thirteenth annual general meeting of the Indian Cotton Mills' Federation (ICMF), held in Bombay a few days ago. There may be a few armchair critics who cavalierly contend that if an industry like the cotton mill industry that is more than a century-old still cringes for reliefs and rehabilitation doles, it has no right to exist, but serious students of the history of the cotton mill industry in this country will really wonder at the remarkable resilience of this industry which has seen it emerge from one struggle for survival after another. Despite all that has been and is being said to deprecate this industry, it must not be forgotten that it still provides direct employment to over 750,000 textile workers and indirect employment to nearly as many, not to speak of its contribution to the foreign exchange till of the country.

Redeeming Feature

Prudence demands, especially when we are faced with such a massive unemployment problem as has fallen to our lot, to see that everything is done to keep this industry not only going but going forward. After all, that is not at all a Herculean task. To ensure adequate supplies of raw cotton at fairly reasonable prices, to make available ample and cheap credit to enable the industry to modernise itself and to free it from some irksome controls are certainly not beyond the competence of our government. And "a redeeming feature", as Mr Ruia remarked, is that today there would appear to be "a better appreciation of the industry's problems by the government, and solutions for tackling them are on the drawing boards of the ministries concerned". Here, indeed, is hope that the industry may after all turn the corner soon.

A long spell of stagnation in production of its main raw material could upset the fortunes of any industry. If, then, cotton production in India has had to face six successive years of stagnation, it is not surprising that it has turned out to be the bane of the industry. It is unfortunate that cotton should also be among the cash crops that "has not only been by-passed by the green revolution, but has also been experiencing unfavourable weather in some form or other (in one cotton tract or another), for four years in succession".

Widening Gap

This explains the latest lowest crop estimate in six years—5.2-5.3 million bales for 1971-72, which compares with the fourth Plan target of 8.0 million bales. The irony is that after the gap between this target and the actual production had narrowed down to 2.3 million bales in 1970-71, it should again threaten to widen to 2.7 million bales. During the past three seasons in particular, the cotton crop has progressively fallen from 5.98 million bales to 5.650 million bales. And, between the years 1964-65 and 1970-71, the crop has averaged about 5.56 million bales only (excluding the notional extra-factory consumption figure of 270,000 bales). Over the same period, as though deliberately to drive home the fact of cotton shortage, the installed spindleage in the country recorded a rise of 3.20 million or 22 per cent.

These statistics carry a moral, namely that no more time should be lost in stepping up our cotton production. It is just as well that both official and non-official opinions are not only agreed on this but also on how to do it—through higher yields per acre—as well as on its practicability. Thanks to the persistent efforts of the ICMF, the experts in the central Ministry of Agriculture too seem to be convinced today about the magnitude of the efforts required for making an impact on the cotton problem, as witness their recommendation for an outlay of Rs 15.14 crores during the remaining three years of the fourth Plan period. In fact, this should have been twice that figure, if the amount suggested by the ICMF had been accepted. Even so, this provision or, for that matter, the sum of Rs 7.22 crores expected to be spent in the coming crop year marks a definite and distinct improvement over the paltry outlays of Rs 88.18 lakhs, Rs 89.85 lakhs and Rs 209 lakhs that had been earlier proposed to be spent in 1969-70, 1970-71 and 1971-72, respectively. The relatively larger outlays that have been proposed now, as well as the adoption of techniques similar to these that have proved a tremendous success in respect of wheat and rice should result in a sizable rise in ouput (an increase of at least 500,000 bales is the estimate).

While on cotton production plans, we must also refer to one pertinent suggestion that Mr Ruia made. It is that research for new varieties of cotton should not be restricted to long-staple varieties only, but extended to include medium and short-staple varieties as well. True, the stress on long-staple varieties is dictated by the imperative of import substitution. But, in our enthusiasm for import substitution, let us not minimise or forget the important role played by medium and short staple varieties. These too help us in import substitution and, what is more, India's exports of cotton textiles are mainly produced out of these staples. Again, it is out of these staples that the greater bulk of the goods consumed within the country is produced. That should provide some idea of the enormous gain that would accrue both to the country's export trade and to the domestic consumer as a result of the research on these varieties of cotton.

Dereliction of Duty

We would not be condemning the authorities too strongly, we feel, if we charged them with dereliction of duty in the matter of creating a reliable crop forecasting agency. It is incredible to be told in the Year of Grace 1971 that there is still no dependable agency for this purpose and that everybody, including the government, has to depend on the widely varying forecasts of a few well-known cotton firms. It is high time that the authorities set up an official agency to furnish this vital information to both the cotton grower and the cotton consumer. No wonder that, in the absence of a reliable crop forecast, the authorities themselves continue to commit the blunder, year after year, of overestimating the crop on the eve of every cotton season and underestimating the import requirements of cotton first and revising it upwards later, when the price of foreign cotton is at its peak, thereby making the country lose valuable foreign exchange avoidably. Even for this year, Mr Ruia has already hinted, it would appear necessary to arrange for additional imports of cotton to tide over the lean months—September to December.

We must do everything to hold the price line, assert the authorities always, but they seem to be utterly oblivious of the impact of their own policies

as above which cannot but lead to higher prices. Take also the sharp increase in import duty as per the latest budget from 25 per cent to 100 per cent on stable fibre which we must import to make up for the cotton shortage and the abolition of the excise rebate of 50 paise on yarn spun from a mixture of cotton and staple fibre. All these must necessarily lead to increased cloth prices which hit the poor consumer ultimately.

There may be an official justification for the credit squeeze but few will dispute that it has gone too far and has had the most unsettling effect on the cotton mill industry in particular. "No avenue has been left for the industry to get any relief from credit restraints", was the pathetic plea of Mr Ruia, and he could not help making it because, as he said, "it is hurting production and adding to costs". How would it benefit anybody if, as a result, mills are not able to lift Indian and imported cotton already bought by them? Who gains if stocks of cotton lie uncleared from railway yards and ports? How can the price-line be held if production goes on falling? For the first four months of this year we are told, yarn and cloth production has fallen by 11.3 per cent and 6.6 per cent respectively, as compared with the corresponding period of 1970.

We have been talking of modernising our cotton mills for years now. Whereas other competing countries have completed their modernisation programmes, we have yet to decide on the programme. Evidently, being a practical businessman, Mr Ruia put it to the government to take a quick decision at least on the unanimous recommendation made by a special sub-committee in November, 1970, for the modernisation of the exporting mills' hoping that, at least in its anxiety to make a success of its crash export drive, it would seize the suggestion. He also banked, perhaps, on the fact that this does not call for any great sacrifice on its part except to earmark a given amount of foreign exchange for importing sophisticated textile machinery not made in this country and not objected to by textile machinery makers in this country.

But expedition and bureacracy however seldom go together. Not even the imminent imposition (from January 1, 1972) of the 15 per cent import duties on our cotton textiles exported to the UK and not even the exclusion of textile products by the UK and the USA from their offers to UNCTAD under the General Scheme of Preferences for Developing Countries have stirred them to the supreme sense of urgency of the moment. Instead, like Don Quixote, we still seem to indulge in going at imaginary windmills as, for instance, our threat to quit the Commonwealth. Have those who have made this suggestion ever paused to examine the effects of such a step on our own export trade?

Inflationary Budget

S. NARAYANASWAMY

THE MULTI-FACETED resource-garnering effort which Mr Chavan's budget is, has puzzled those quarters which think in the same way as the party in power and has caused painful surprise among all other sections, not excluding that section for whose benefit every tax is claimed to be levied and many an existing concession is being abolished. The affluent feel that they have the middle income groups for companions in distress; the poor whose latter-day consumption articles are being called luxuries and brought within the excise net, and which articles are thus, however, unwittingly placed beyond the reach of marginal consumers, feel they have distinguished companions among middle income and higher income groups, because of the larger taxes on income and wealth they are called upon to pay, through wealth tax exemptions abolished and new taxes on income levied.

The middle class man who has been riding the tiger of inflation for many years and whose salary or wage-packet has become less and less meaningful in terms of what it would buy for him of essential goods and services, has begun to speculate how soon he would find himself inside the tiger's stomach; and whether he would not be better off there than to continue in a state of nervous prostration on the back of an animal of acknowledged ferocity. He has wailed and whined in past years about the debts into which he is driven by this annual erosion of the content of the rupee through inflationary spending and no less inflatonary long-term investments by the government which tend in many cases to make negative returns but his has been a voice in the wilderness. "The weaker section of society" to which so much election-time homage has been paid, to whom "commitments" have been made, can be trusted not to know the basic causes of price increases and to blame the wily and rapacious merchants, the wholesellers and retailers, for the excise duties that cause the escalations. Unlike sales taxes, the merchant is unable to set out the excise duties separately in cash bill to consumers. Indeed the oil companies got into the bad books of the government years ago when they showed the break-up of gasoline prices, indicating how much of what was paid was taken away by the exchequer.

Masonic Secret

In any case, excise duties will remain among the masonic secrets as components of end-prices so far as the consumer is concerned and, in comparatively poorly educated communities, you can take an insurance policy against the man in the street acquiring knowledge of it, because he is unlikely to show any curiosity on the subject in his benumbed condition as a helpless consumer of high cost goods. Little wonder, Mr Benjamin Fairless, one-time chairman of US Steel Corporation, with mordant humour, declared that the quantum of excise duty on each article sold and collected by industries and turned over to the US Treasury, was a well-kept secret—a secret kept with considerably more success than the secret of the atom bomb. In the result, Mr Chavan's budget has more or less succeeded in convincing the people of this country that the rich would pay the overwhelming quantum of taxes; and since being rich is among the original sins of mankind, the wages of sin are expropriatory taxes and they are being levied with planned remorselessness.

The central budget of 1971 can be compared to a giant octopus that extends its tentacles once every year and each tentacle gets a grip on available classes of sea-food. The octopus gets a grip on consumers, income-earners, wealth-owners, exporters, importers and corporate units to derive nourishment. This year, the octopus, having done a multiple operation of getting hold of second and third schools of fish, in the form of consumers and tax-payers, finds itself with an unsatisfied appetite because there is an unfilled net gap of Rs 220 crores due to capital programmes proposed to be executed this year.

When the budget was presented on a hot evening on May 28 and a whole string of new or enhanced excise duties was being announced over the radio and the teleprinter, it occurred to many wide-awake budget-watchers that the duty on maida which became a duty on bread, was added on, like the hay-pack on the camel's back, to be thrown away within sight of the camel at the appropriate time, to make the poor animal move along its caravan track. The only psychological

mistake made was to describe bread as the richman's food which brick-dropping could have been avrided, had the secretaries merely obtained statistics of bread sales from even government-owned Modern Bakeries. Anyway, Mr Chavan has, in solemnly removing the maida and coarse cloth levies, ostensibly in response to Parliament's forcefully expressed concern for the poor, adopted the simple stratcgem of the Arab camel-drivers to make the dromedary move on—and it is amazing how many identified the two levies as the ones which would not survive Parliament's tear-shedding process.

The Finance Secretary's description of the repercussions of the wide range of excise levies as likely to be "marginal" does not accord with Mr Chavan's own admission "There is a wide range of fiscal proposals and, in some directions, the impact of the new levies cannot but be considerable". The budget proposals relating to both direct and indirect taxes cannot but be inflationary in their impact on India's economy. It is foolhardy and futile to take the new or enhanced excises or direct imposts by themselves but as coming on top of an already massive pyramid of levies, and comparing the impact of the aggregation of the pile of such levies on the people. What is marginal in India is consumption capacity notwithstanding the pompous cant about the green revolution which has increased rural purchasing power and liquidity only marginally. There is much complacent talk about the rural rich which is not borne out by the statistics relating to the rural scene.

Anti-Investment Budget

The budget is definitely an anti investment budget in so far as it removes: (a) the wealth tax exemption on money invested in new issues for a five-year period, (b) abates the tax concession for priority industries,(c) removes some important industries from the priority list, (d) reduces exemption limits for capital gains levies, (e) increases surtax on small capital company profits and (f) gives notice of development rebate abolition after 1974. It is an anti-savings budget in so far as it: (a) accentuates inflation and will make savings more difficult, (b) taxes on income exceeding Rs 15,000 will suffer higher taxation, and (c) basic wealth-tax exemption of Rs one lakh for those who have wealth exceeding that value, will reduce the quantum of retained incomes. To talk of capital formation and entrepreneur effort in such an atmosphere seems wholly unrealistic. The man who invests money in new capital issues, is already going without an income on his investment for at least five years (in India, dividends generally start in about 7th year, particularly in heavy-capital companies) while an alternative of a 10 per cent return is available on good class preference shares and on corporate fixed deposits.

Apart from this cycle of incomelessness, the investor in new issues suffers depreciation in the capital value of his investment which is sometimes 50 per cent. He cannot pledge the shares with a bank to raise funds because it is not on the dividend-paying list and, therefore, not an approved security. In a period of inflationary living costs such as we are passing through, the investor seeks unabashedly to supplement his earned income by maximising investment income; and, therefore, has a powerful motivation in obtaining for currently income-bearing investments in preference to non-yielding stores of value like new companies' shares. The inflationary cycle in an economy is not conducive to capital formation and it has been proved in India contrary to the notions of classical text-books on economics.

Removal of Incentives

Mr Chavan should have thought twice before removing the available incentives through the tax exemptions hitherto available and to which Mrs Indira Gandhi very thoughtfully added two important exemptions last year. It is a small mercy that these two exemptions are being continued.

Mr Chavan has levied a whole array of new customs duties and, for this purpose, he says he has obtained release for India from its GATT commitments. Our country has for years been pressing the developed countries to lift import duties to enable the newly-developed economies to find an export market for their goods and at the Delhi session, the Prime Miniser's speech stressed this and so did the Indian delegation. India seeking release from GATT commitments now after three Plan periods, during which a commendable degree of import substitution has been achieved, must puzzle many GATT countries, particularly when capital is in short supply in India; capital goods are already high-costing all over the world and India is on the brink of implementing a re-shaped fourth Plan which cannot dispense with capital goods or some process material imports. There is a strong element of unilaterality in India's getting this release from GATT arrangements, after all the lecturing she has done at successive GATT conferences. Whether the revenue from custom duties newly levied or enhanced will make this worthwhile is what we have to ponder over.

The object of all Plan efforts is to improve the living standards of the people. This means making people's life more comfortable by making them consume better food, build improved living space, give them more clothing, provide speedy and comfortable transportation, and release them from drudgeries and make life interesting for them. You do not achieve this objective by classifying more and more goods as luxuries and levying excise duties on them, because you need revenue for further development. In other words, placing more and more goods, after organising their manufacture in the country, beyond the reach of more and more people, is neither socialism nor securing robust living standards. It is a self-defeating fiscal exercise in a planned economy. A more positive attitude towards better living conditions for the people will give to the budget a more robust sense of direction.

Revenue-garnering is not an end in itself any more than planning is. Both are weapons in our fiscal and economic armoury capable of being used for securing the overall objectives of a wel-

fare state with fewer transitional hardships. It is possible that there would be that deeper economic awareness among our policy-makers, which would make them realise that other developing countries are stealing the thunder of economic development because they are less obsessed with negative programmes and more absorbed in securing increase in national incomes over the sharing of which they know they have plenty of time to hold seminars.

Progression in Haryana's Land Tax

DR P.C. JAIN

USING RELEVANT data from secondary sources as well as those derived from a survey[1] undertaken to measure the impact of agricultural taxation according to size-holdings in the three regions of Haryana, this article puts forward a proposal aimed at introducing progression as between different size-holdings, reducing inter-regional disparities in the impact of taxation and increasing the state revenue.

The survey referred to above, which was conducted during May-July, 1966, made available data, relating to the year 1965-66, according to four size-groups of holdings, viz., A O-4.9, B 5-14.9, C 15-29.9 and D. 30 acres and above (to be referred to hereafter as small, medium, big and large respectively) for the three regions of Haryana (to be referred to hereafter as 'Ambka', which comprises the districts of Ambala and Karnal; 'Guroh', which comprises Gurgaon and Rohtak; and 'Himaji',[2] which comprises Hissar, Mahendragarh and Jind). The main results of the survey, relevant to the analysis are summarised in Tables I and II.

Table I shows that the impact of land revenue, defined as the ratio of land revenue to net output, is the highest on small holdings in all the regions while it is the lowest on medium holding in the state as a whole, Guroh and Himaji and on large holdings in Ambka.

Table II shows that, when surcharge and special charges[3] are taken into account together with land revenue proper, the impact is the highest on small holdings in the state as a whole and Himaji, on big holdings in Ambka, and on large holdings in Guroh while it is the lowest on medium holdings in the state as a whole, Guroh and Himaji and on large holdings in Ambka.

Tables III and IV which are derived from Tables I and II respectively, put the relativity of inter-size impact in the three regions in sharper focus by measuring the degree of progression or regression as between sizes and show that:

1. Regression in impact is all-pervasive between small and medium holdings.
2. Progression is all-pervasive beyond medium holdings except in Ambka which, ignoring the progression between medium and big holdings, when surcharge and special charges are taken into account, exhibits regression throughout. (It is necessary to point out that the paradoxical increase in regression between big and large holdings in Table IV is due to a sampling "accident": no surcharge and special charges were reported to have been levied on the sample holdings in the large size-group which, when related to the progression between medium and big holdings, accentuates the degree of regression between big and large holdings).
3. The degree of regression (and progression), which is consistently the highest in Guroh, exhibits wide inter-size variations as between the three regions.
4. The degree of progression, ignoring the minor exception in Himaji, is consistently the

TABLE I

IMPACT OF LAND REVENUE, 1965-66 (EXCLUDING SURCHARGE AND SPECIAL CHARGES)

(Average of each size-group)

Holding-size	Ambka			Guroh			Himaji			State		
(acres)	Net output (Rs)	Land revenue (Rs)	%	Net output (Rs)	Land revenue (Rs)	%	Net output (Rs)	Land revenue (Rs)	%	Net output (Rs)	Land revenue (Rs)	%
A. O-4.9	203.37	4.27	2.10	165.55	3.89	2.35	294.72	4.11	1.39	220.69	4.10	1.86
B. 5-14.9	825.22	16.56	2.01	2485.84	18.88	0.76	1360.73	7.13	0.52	1557.26	14.19	0.91
C. 15-29.9	2278.67	44.41	1.95	2137.00	32.15	1.50	2842.18	22.12	0.78	2419.28	32.90	1.36
D. 30 & above	6301.89	54.25	0.86	3922.79	89.57	2.28	3603.71	37.98	1.05	4327.39	61.66	1.42
All holdings	1548.73	20.65	1.33	1923.84	31.65	1.65	1690.75	15.22	0.90	1725.02	22.55	1.31

highest between medium and big holdings.

Clearly, the impact of land revenue, with or without surcharge and special charges, is inequitous as between sizes and as between regions. In what follows an attempt will be made to devise a simple tax scheme and examine its economic implications.

If it were a question only of somehow introducing progression, the problem would be one of simple arithmetic, although one would then be faced with almost innumerable solutions. Also, there is the question of determining the base: should one, for instance, accept the existing impact on small holdings as the base and then introduce progression in the bigger sizes?

Of course, the problem is an economic, not an arithmetic one, despite the fact that even an economic angle does not by itself ensure a unique determination, since one could think of several alternate economic criteria to which to relate a progressive tax scheme. In the last analysis, one can hardly escape being arbitrary. We shall, therefore, make bold and, without examining the possible alternate economic criteria, suggest that inter-size net output for the state as a whole is good enough criterion for the purpose in hand.

Table V, which is also derived from the survey referred to above, read with the last columns of Tables III Table IV, brings out the alarming fact that the degree of regression in impact is the highest exactly where (between small and medium holdings) the diffe-

TABLE III

INTER-SIZE PROGRESSION (+) OR REGRESSION (—) OF LAND REVENUE IMPACT

Holding-sizes (acres)	Ambka per cent	Guroh per cent	Himaji per cent	State per cent
Between A & B	—4.29	—67.66	—62.59	—51.08
Between B & C	—2.99	+97.37	+50.00	+49.45
Between C & D	—55.90	+52.00	+34.62	+4.41

TABLE IV

INTER-SIZE PROGRESSION (+) OR REGRESSION (—) OF LAND REVENUE *IMPACT

Holding-sizes (acres)	Ambka per cent	Guroh per cent	Himaji per cent	State per cent
Between A & B	—4.52	—65.96	—62.59	—49.74
Between B & C	+14.69	+98.75	+50.00	+61.05
Between C & D	—64.46	+76.10	+51.28	+7.84

*Land revenue here includes surcharge & special charges as well.

TABLE II

IMPACT OF LAND REVENUE : 1965-66 (INCLUDING SURCHARGE AND SPECIAL CHARGES)

(Average of each size-group)

Holding-size	Ambka			Guroh			Himaji			State		
(acres)	Net output (Rs)	Land revenue (Rs)	%	Net output (Rs)	Land revenue (Rs)	%	Net output (Rs)	Land revenue (Rs)	%	Net output (Rs)	Land revenue (Rs)	%
A. 0-4.9	203.37	4.50	2.21	165.55	3.89	2.35	294.72	4.11	1.39	220.69	4.18	1.89
B. 5-14.9	825.22	17.43	2.11	2485.84	19.92	0.80	1360.73	7.13	0.52	1557.26	14.83	0.95
C. 15-29.9	2278.67	55.04	2.42	2137.00	33.88	1.59	2842.18	22.12	0.78	2419.28	37.02	1.53
D. 30 & above	6301.89	54.25	0.36	3922.79	109.83	2.80	3608.71	42.49	1.18	4327.39	71.29	1.65
All holdings	1548.73	22.52	1.45	1923.84	36.88	1.92	1690.75	16.27	0.96	1725.02	25.29	1.47

rence in net output is the greatest while the degree of progression is the highest exactly where (between medium and big holdings) the difference in net output is the smallest. The degree of progression between big and large holdings is again far too small relative to the corresponding difference in net output. (Incidentally, more or less the same picture emerges when we relate the inter-size degree of regression and progression with the inter-size gross output which, according to the data derived from the survey referred to above, is Rs 385.93, Rs 2,628.41, Rs 4,099.54 and Rs 8,493.99 for small, medium, big and large holdings respectively). Economic common-sense would demand that inter-size tax on land should have some correspondence with the inter-size net output. But the question which then immediately arises is: What should be the appropriate base of the tax with which to start effecting such correspondence?

Perhaps the simplest way out is to examine the existing tax on small holdings. There are four possibilities: to accept the existing tax on small holdings as the base; to reduce this tax; to enhance this tax; or to eliminate this tax altogether, in which (the last) case we should have to go over to examining the tax on medium holdings for the purposes of determining the appropriate base. The second and third alternatives are best ignored if only because the problem, with almost innumerable possible solutions, will then get out of hand. Whether or not the existing tax on small holdings is to be accepted as the base will largely depend on whether the tax has reasonable correspondence with the net output of this size-group. Table V does leave the impression that small holdings are relatively overtaxed. The obvious conclusion, therefore, is to eliminate the tax on small holdings[4] altogether.

In examining the existing tax on medium holdings, the possible alternatives of enhancing and reducing the tax are again best ignored. Tables III and IV show a very high degree of regression between small and medium holdings and there would normally have been a case for enhancing the tax on medium holdings; but the plurality of possible solutions would appear to rule out this alternative as well. There is no case for eliminating the tax on this size-group. We are thus left with the only alternative available, viz., to accept the existing tax on medium holdings as the appropriate base for introducing progression. The required progression is introduced by effecting a fresh correspondence between tax and net output for the remaining two size-groups, big and large: by changing the rate of tax on these size-groups in the same ratio as the degree of progression in their respective net output.

Tables VI and VII incorporate the changes in tax rates and the consequent impact if the proposed tax scheme were given effect to, and compare these with the existing position. The resultant progression and, significantly, the narrowing down of inter-regional disparities in impact are too obvious to call for further comment.

Using data on cultivating households from secondary sources (ignoring unspecified cultivating house-holds) and assuming that the average size of holdings for the small size-group is two acres, for the medium size-group nine

TABLE V

NET OUTPUT FOR THE STATE: 1965-66

(Average of each size-group)

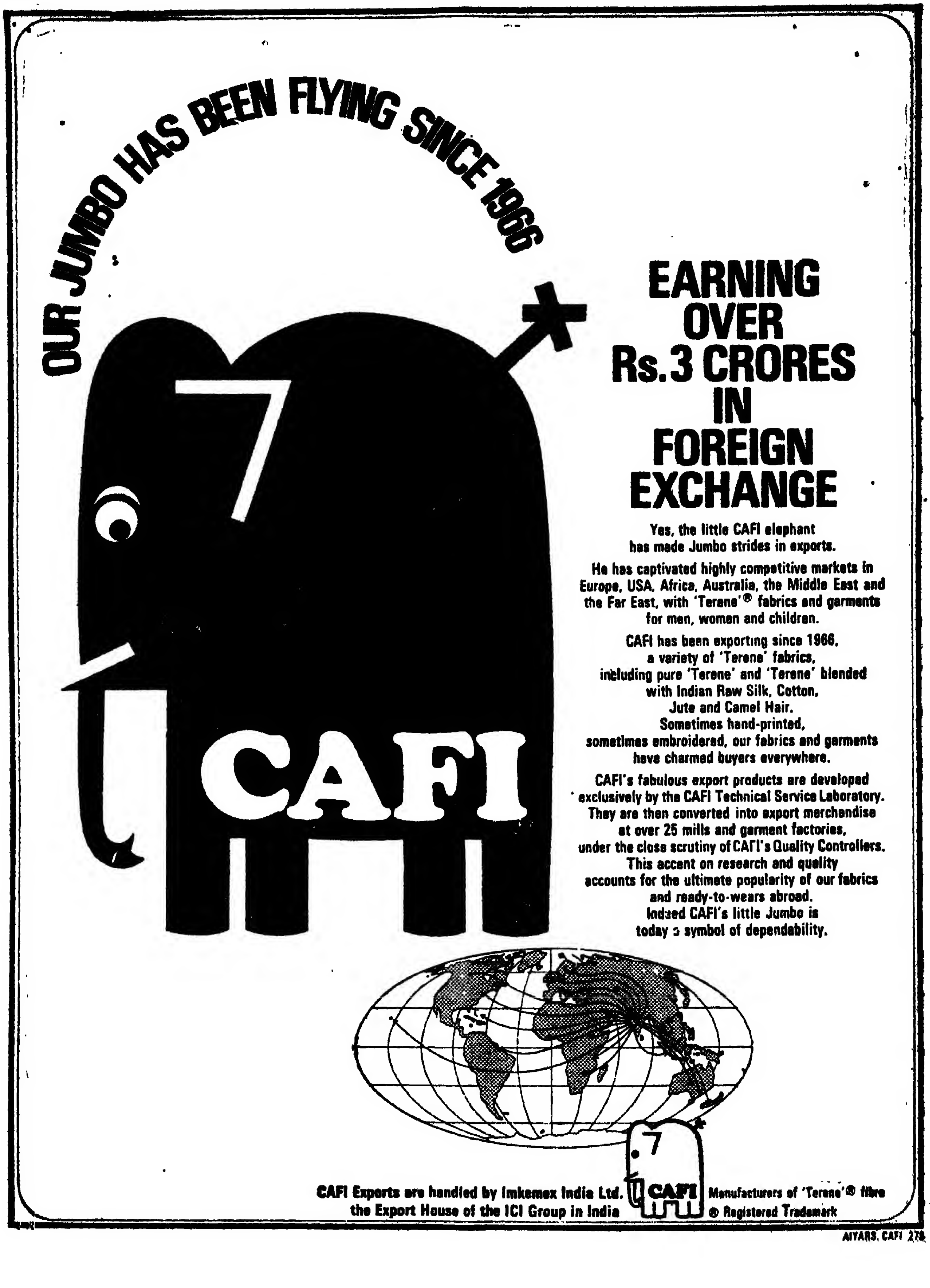
Holding-size	Net output (Rs)	Rate of progression	
		Over previous group	Over B
A. 0-4.9	220.69	—	—
B. 5-14.9	1,557.26	605.63	—
C. 15-29.9	2,419.28	55.35	55.35
D. 30 and above	4,327.39	78.87	177.88

TABLE VI

EXISTING & NEW IMPACT OF LAND REVENUE (EXCLUDING SURCHARGE & SPECIAL CHARGES)

(In Rupees)

Holding-size (acres)	Ambka				Guroh				Himaji				State			
	L.R. per acre		Impact		L.R. per acre		Impact		L.R. per acre		Impact		L.R. per acre		Impact	
	Existing	New	Existing	New	Existing	New	Existing	New	Existing	New	Exsiting	New	Existing	New	Existing	New
A. 0-4.9	1.98	0	2.10	0	1.78	0	2.35	0	1.95	0	1.39	0	1.91	0	1.86	0
B. 5-14.9	1.69	1.69	2.01	2.01	1.76	1.76	0.76	0.76	0.69	0.69	0.52	0.52	1.38	1.38	0.91	0.91
C. 15-29.9	2.04	2 14	1.95	2.05	1.82	2.14	1 50	1.76	1.24	2.14	0.78	1.35	1.73	2.14	1.36	1.68
D. 30 & above	1.06	3.83	0.86	3.11	1.98	3.83	2.28	4.41	0.66	3.83	1.05	6.09	1.20	3.83	1.42	4.53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acres, for the big size-group 21 acres and for the large size-group 42 acres, the approximate gain in revenue accruing to the state exchequer is indicated in Table VIII.

Table VIII shows a net additional revenue of Rs 62,33,061.70, amounting to 74.29 per cent of the existing total land revenue of Rs 83,89,856.45 for the state as a whole, when over 16 per cent of land holdings are freed from the tax altogether and there is no enhancement in the tax for another over 48 per cent of land holdings in the state, i.e., only 36 per cent holdings, falling in the categories of big and large, have to bear an enhanced land revenue. The enhancement is not altogether arbitrary and, in fact, is in the circumstances, most scientific and justified because the rate of land revenue has been related to the degree of progression in the respective net output of these holdings.

References

1. For a detailed analysis of this survey, see Kurukshetra University, Department of Economics, Discussion Paper No. 6 (cyclostyled)—Impact of Agricultural Taxation in Haryana by P.C. Jain.

2. All the three names are meaningful. 'Amba' means mother goddess, indicating the district of Ambala, and 'Ambka' is the region of the mother or father; 'Guroh' conveys the sense of Guru Dronacharya with whose name the district of Gurgaon or Gurugram is connected; and 'Himaji' is the region of 'Hima', i.e., fresh butter, for which the district of Hissar & Mohindergarh are known.

3. No 'additional surcharge' was levied in Haryana during 1965-66.

4. Little, I.M.D., in 'Tax Policy and the Third Plan'' (Institute of Economic Growth, 1959, mimeographed), suggests that the lowest land bracket, up to five acres, be exempted from land revenue. Khusro, A.M., in "Taxation of Agricultural Land —A Proposal" (The Economic Weekly, Annual Number, 1963) while concluding that it is unnecessary to exempt "all holders of land below five acres" on the ground that "an old tax, according to the old maxim of public finance, is no tax and can be easily sustained, . . . ", recognises some very weighty considerations for the opposite view. He says, "Holdings below 5 acres. . . . do not fulfil the norms of efficiency and surplus generation," "As for inter-sectoral equity, there can be objection to charging land revenue at all to farmers of very small incomes whose counterparts in the non agricultural sector are exempted from income tax," and "The minimum acreage required for the full absorption of a single pair of bullocks appears on the average to be more than 5 acres (in all probability, around 7 and a half acres), while the minimum acreage for the full absorption of family manpower of an average family, as also the acreage required for a norm income of, say, Rs 1,200 per annum (a family holding) works out to be well above 5 and in many cases above 10 acres."

TABLE VII

EXISTING & NEW IMPACT OF LAND REVENUE (INCLUDING SURCHARGE AND SPECIAL CHARGES

Holding size (acres)	Ambka				Guroh				Himaji				State			
	L.R. per acre		Impact		L.R. per acre		Impact		L.R. per acre		Impact		L.R. per acre		Impact	
	Exist.	New	Exist.	New	Exist.	New	Exist.	New	Exist.	New	Exist.	New	Exist.	New	Exist.	New
A. 0-4.9	2.09	0	2.21	0	1.78	0	2.35	0	1.95	0	1.39	0	1.94	0	1.89	0
B. 5-14.9	1.77	1.77	2.11	2.11	1.86	1.86	0.80	0.80	0.69	0.69	0.52	0.52	1.44	1.44	0.95	0.95
C. 15-29.9	2.53	2.24	2.42	2.14	1.92	2.24	1.59	1.86	1.24	2.24	0.78	1.41	1.95	2.24	1.53	1.76
D. 30 & above	1.06	4.00	0.86	3.25	2.43	4.00	2.80	4.61	0.74	4.00	1.18	6.38	1.39	4.00	1.65	4.75

TABLE VIII

CULTIVATING HOUSEHOLDS, AREA UNDER CULTIVATION AND LAND REVENUE ASSESSMENT IN HARYANA

Holding-size	Cultivating Households*		Area under Cultivation†		Land Revenue Assessment (Rs)		
(acres)	(Nos.)	%	acres	%	Existing‡	New	Additional
A. 0-4.9	106055	16.14	212110	2.25	188777.90	0.00	—188777.90
B. 5-14.9	315945	48.08	2843505	30.16	2530719.45	2530719.45	0.00
C. 15-29.9	160020	24.35	3360420	35.65	2990773.80	4646167.10	+1655393.30
D. 30 and above	71685	10.91	3010770	31.94	2679585 30	7446031.60	+4766446.30
Unspecified	3420	0.52	Ignored	..	..	..	..
Total	657125	100.00	9426805	100.00	8389856.45	14622918.15	+6233061.70

*Census of India, 1961, part-III, Volume-XIII. While the census data on households engaged in cultivation are based on 20 per cent sample and those for Ambala and Jind are provisional we have here adjusted these on 100 per cent basis.

†Our total here approximates to the figure for area under cultivation in Haryana in 1960-61 (i.e. 94,12,381.81 acres): Statistical Abstract of Haryana, 1967, p. 35.

‡The total land revenue in Haryana for 1965-66 was Rs 84,46,590 (Statistical Abstract of Haryana, 1968-69, pp. 80-81), which calculates to about Re 0.89 per acre. Calculations here have been made on the assumptions that land revenue collections did not undergo much change between 1960-61 and 1965-66 and that the average land revenue of Re 0.89 per acre holds good for all size-groups of holdings.

FROM THE PRESS GALLERY

Hanumanthaiya Has His Way

OUR PARLIAMENTARY CORRESPONDENT

NEW DELHI, Monday.

THE MEMBERS OF Parliament this week set their seal of approval on the railway budget. Among the other important issues which came up for discussion in the two Houses were the large influx of refugees from Bangla Desh, maintenance of internal security, fostering of economic growth in backward areas and further upward revision in the dearness allowance of central government employees.

In a discursive debate on the demands for grants of the Ministry of Railways, which marked the final stage of consideration of the railway budget, no new pertinent point emerged. The criticism centred around the points already made by members during the general debate on this budget. These included : (*i*) need for drastic reorganisation of the railway administration; (*ii*) extension of several existing railway lines to the constituencies of certain members; (*iii*) construction of new lines in areas of potential economic growth; (*iv*) improving of the catering service on railways; (*v*) abolition of contract labour; and (*vi*) avoidance of late running of trains. Some members pleaded for the restoration of the Rs 250 crores cut in the fourth Plan of the railways.

Expansion of Network

Winding up the discussion on his budget and the demands of his ministry, the Minister for Railways, Mr K. Hanumanthaiya, expressed the view that the present was an opportune time for the expansion of the railway network as this would considerably help in solving the unemployment problem. He disclosed that he had already approached the Prime Minister and the Minister of Planning for the restoration of the Rs 250 crores cut effected recently in the fourth Plan of his ministry.

In regard to the construction of new railway lines, Mr Hanumanthaiya, however, asserted that he would not consider any such construction so long the state government concerned did not give an undertaking that it would not start a roadways service running parellel to the railway line. He urged members to persuade their respective state governments to allocate funds for the construction of over-bridges and under-bridges on railway lines, with a view to helping generate quick employment. The state governments, he suggested, could draw upon their safety funds for this purpose.

Referring to the general criticism against the Railway Board and the demand by some members for the abrogation of this Board, Mr Hanumanthaiya stressed that he himself felt that some pruning in administration was necessary. He assured the House that in a month or two a decision on the streamlining of the railway administration would be taken in the light of the report of the Administrative Reforms Commission and also the views of the Kunzru Committee.

New Services

Mr Hanumanthaiya conceded the demands of some members for augmenting train services in their regions and announced that he would soon start several new services. There would be an additional Janta Express once a week between Bombay and Nagpur and an additional Janta Express on the Bombay-Poona route. He indicated that the Paschim Delux Express would soon be dieselised and a delux service would be run via Patna twice a week.

With a view to containing the compensation claims on account of pilferage of consignments as well as for protecting the railway properties, Mr Hanumanthaiya disclosed that he would soon examine the structure of the railway protection force and decide upon measures to check malpractices. He further stated that steps were being taken to ensure punctuality of trains.

The Bangla Desh issue continued to exercise the minds of all parliamentarians this week too. The Rajya Sabha had a special debate on this subject. The large influx of refugees from Bangla Desh, it was feared, would dislocate the Indian economy. Because of this, besides the humanitarian considerations, this country, therefore, was vitally concerned about the happenings in Bangla Desh. Persistent demands were made by many, both belonging to the opposition and the treasury benches, for the expeditious recognition of Bangla Desh. The international community was urged to prevail upon the military regime in West Pakistan to create conditions for the return of refugees.

Intervening in the debate, the Prime Minister, Mrs Indira Gandhi, declared that while India would do its best to tackle the problem of refugees from Bangla Desh, "the international community will not be allowed to get away with its responsibility." If it failed to act, she cautioned, it would have to suffer the "consequences of what is happening in this part of the world". The Prime Minister emphatically denied that the ministers or non-officials who had been sent abroad in connection with Bangla Desh were on a begging mission. She deplored the attempts to create such an impression and asserted that these ministers had gone to make the international community realise its responsibility. "We must put the problem in perspective to them (other nations)", she said.

The Prime Miniter hoped that a political settlement would still be reached in Bangla Desh. The only person with whom such a political settlement could be reached by the West Pakistan authorities was Mr Mujibur Rahman. She made it clear that the refugees ultimately would have to go back; they could not be settled here permanently. She, however, pointed out that these refugees would not be sent back merely to be butchered.

Pitiful Response

Mrs Gandhi regretted that the assistance received from abroad to alleviate the distress of the Bangla Desh refugees was only pitiable—one-tenth of what was required. She pleaded with members that they should not be unduly pessimistic about the ultimate outcome of the happenings across our eastern border. The problem, though intricate, had to be tackled boldly.

The Maintenance of Internal Security Bill, which seeks to replace an ordinance issued by the President in May, re-introducing the preventive detention measures in a new but much milder form, came in for scathing criticism from the opposition members in the Lok Sabha. It could be passed only after a tough fight by the opposition, culminating in a walk-out. The opposition members feared that the proposed Act would be made use of by the government to suppress them. The only opposition group which gave reluctant and qualified support to the Bill was the Congress(O). The leader of this group, Mr S. N. Mishra, considered it a "necessary evil".

The Bill, however was stoutly defend-

ed by the Minister of State for Home Affairs, Mr K. C. Pant, who piloted it. Mr Pant asserted that the government had to empower itself to take preventive action against those who pose a threat to the security and integrity of the nation. He made valiant efforts to assure the critics that the measure would be used with utmost care; it was not at all intended to be deployed by the ruling party to stifle political opposition.

Mr Pant pointed out to the critics that the 1968-69 statistics relating to the then Preventive Detention Act showed that no one had been detained merely because of political affiliation. He emphasised that the same approach would be continued. The government's approach, he further stated, was not to detain anyone who could be prosecuted for substantive offences under the law.

The union Minister for Finance, Mr Y. B. Chavan, admitted in the Rajya Sabha that he was not satisfied with the assistance and concessions given for setting up industries in backward areas. These concessions, he stated, had been initiated as an experimental measure. After watching the progress for some time, it would be considered whether some other concessions were necessary for attracting entrepreneurs to backward areas.

Mr Chavan disclosed that during 1970-71, the Industrial Financial Corporation and the Industrial Development Bank had sanctioned Rs 7.96 crores for industrial units to be set up in districts which have been identified by the Planning Commission as backward. About Rs 5.24 crores were actually disbursed during the year. The concessions allowed, Mr Chavan said, included : (*i*) lower interest at the rate of 7 per cent per annum instead of the usual 8.5 per cent; (*ii*) repayment period extending up to 15 to 20 years, instead of the normal 10 to 15 years.

Mr Chavan vehemently denied that the public financial institution showed any partiality towards any particular state. He assured the House that he would take personal interest in seeing that these institutions disbursed loans properly.

Referring to the steps being taken in regard to West Bengal, Mr Chavan revealed that the newly-established Industrial Reconstruction Corporation, which was meant for the entire country, would first concentrate its activities in Calcutta and the nearby areas. The developmental effort in the public sector too, he said, was being accelerated in West Bengal.

The Minister for Revenue and Expenditure, K. R. Ganesh, rejected this week the demand for allowing further increase in the dearness allowance of central government employees. The demand has been made through a calling attention notice by the Lok Sabha member Mr S. M. Banerjee (CPI), who had argued that according to the report of the Pay Commission, it was obligatory on the part of the government to grant an increase in dearness allowance to its employees when the 12-month average of the cost of living index worked out to 225. The Minister, on the other hand, asserted that the government would not consider any upward revision of dearness allowance until the 12-month average reached 228. The interim relief granted with effect from March 1, 1970, he pointed out, had covered the cost of living index up to the average figure of 218. The average cost of living index for the 12 months to April 1, 1972, worked out to only 225.83—much less than the 10 points rise necessary for a further revision in the dearness allowance in terms of the recommendations of the Pay Commission.

Question Hour

Sick Mills : The Minister for Foreign Trade, Mr L. N. Mishra, informed the Rajya Sabha on June 17 that the government did not favour merger of weak textile mills with stronger ones, as such a step would encourage the growth of monopolies. The sick mills as far as possible would be taken over by the National Textile Corporation, he said.

Relief for Tea : The Minister for Foreign Trade, Mr L. N. Mishra, turned down a suggestion in the Lok Sabha on June 16 for a reduction in the excise duty on tea or tax relief in any other form. His deputy, Mr A. C. George, earlier stated that there was no proposal under the consideration of the government for the nationalisation of the tea industry.

Atomic Power Stations : The Prime Minister, Mrs Indira Gandhi, told the Lok Sabha on June 16 that the government was examining the possibility of setting up atomic power stations in the northern, western and southern electricity regions. A committee had been appointed to select suitable sites for the purpose.

Plan Reappraisal : The Minister of State for Planning, Mr Mohan Dharia, informed the Lok Sabha on June 16 that the emerging social and economic situation due to the influx of evacuees from Bangla Desh and the refugee problem itself would be taken into consideration when the reappraisal of the fourth Plan was undertaken.

Marine Engines : The first marine engine of medium power being manufactured at Ranchi is expected to be completed by the end of next month. This was disclosed in the Rajya Sabha on June 16 by the Defence Minister, Mr Jagjivan Ram. About 10 medium power engines, the Minister further stated, were expected to be produced during the current financial year. The rated capacity of the Ranchi Plant for the various types of engines, he said, was six high power, 60 medium power and 10 low power engines. The imported component in the initial stages would be 50 per cent in the case of medium and low power engines and 55 per cent in the case of high power engines. The import content would go down progressively and by 1973-74 it would be only nominal.

Licensing Policy : The Deputy Minister for Industrial Development, Mr Sidheshwar Prasad, told the Lok Sabha on June 15 that the government did not propose to decentralise industrial licensing. (Such a suggestion has been made by the Rajamannar Committee appointed by the Tamil Nadu government last year.)

IA Losses : The Minister of State for Civil Aviation, Dr Sarojini Mahishi, informed the Rajya Sabha on June 15 that Indian Airlines was anticipating a loss of Rs 4.65 crores according to the revised estimates for 1970-71. The main reasons for the loss were: (*i*) frequent disruption of services; (*ii*) increase in wages; (*iii*) increase in excise duty on aviation fuel; (*iv*) loss of three F-27 aircraft; (*v*) re-routing of certain services to avoid overflying Pakistan; and (*vi*) increase in insurance for hijacking risks. A committee, she disclosed, had been set up to examine the organisational and administration structure of the airlines and the relationship between the management and the employees.

WINDOW ON THE WORLD

Japan's Impact on Developing Countries

JOSSLEYN HENNESSY

LONDON.

I

SPEEDING UP GROWTH

THE POSSIBILITIES for speeding up growth in newly developing countries are examined on the basis of the experience of Japan and her immediate Asian neighbours in a thought-provoking essay by Mr Saburo Okita (President of the Japan Economic Research Centre, and a member of the UN Committee on Development Planning) contributed to an important symposium entitled *Essays in Honour of Thorkil Kristensen*, recently published by OECD I looked at the first part of Mr Okita's essay, dealing particularly with Japan's experience, here last week. Today we look at the impact of Japan on some newly developing countries.

The question whether or not the process of accelerated growth by means of the virtuous circle can be repeated in some of the newly developing countries has considerable significance for the future of the world, since the acceleration of growth in these countries is vital. Looking at the recent record of GNP growth and export expansion Mr Okita observes that exceedingly high rates of growth, comparable to those of Japan, are taking place in at least three countries in east Asia, namely South Korea, Taiwan and Hongkong (Tables I and II). These countries have features in common: (1) their manufacturing industry is growing rapidly; (2) exports of manufactured items are expanding fast; (3) they have an abundant supply of relatively well-trained and well-educated labour; (4) they are close to Japan and are strongly influenced by the Japanese economy.

In the case of South Korea, the annual rate of GNP growth in real terms was 13.4, 8.9 and 13.1 per cent respectively, in 1966, 1967 and 1968. For Taiwan the corresponding figures were 9.3, 9.9 and 10.3 per cent. (For Japan they were 12.3, 12.9 and 14.3). For Hongkong the corresponding GNP figures are not available, but its export trade expanded by 15.8, 15.3 and 14.2 per cent in the same three years. It is true that Vietnamese war expenditures have created an additional demand for countries close to Vietnam and that these expenditures have been an additional stimulus to the growth of their GNP and export trade. In the above three countries, however, acceleration of growth started much earlier than the escalation of the Vietnamese war; and the rapid expansion continues even though the war has passed its peak, which suggests that the recent economic expansion in these countries springs from basic long-term structural changes rather than from the short-term temporary impact of the war.

The export trade of South Korea expanded from $33 million in 1960 to $175 million in 1965 and to $455 million in 1968. In Taiwan the corresponding figures are $164, 450 and 802 million. The exports of local products from Hongkong have also doubled in the last three years.

Major export items, in recent years, from these three countries are predominantly labour intensive manufactured goods from light industry. The growth of export-oriented manufacturing industries has been the dominant factor in the rapid expansion of economic output in these countries.

All three countries are close to Japan. Until about 1960, Japan was suffering from chronic over-population. This abundant labour supply enabled Japan to expand exports of labour-intensive products. Later, the situation began to change from labour surplus to labour shortage because of the continuing high rate of economic growth. The start of a rapid expansion of export-oriented, labour-intensive industries in South Korea, Taiwan and Hongkong roughly coincided with the beginning of the labour shortages in Japan. In recent

TABLE I

GROWTH RATES OF REAL G.N.P. IN SOME EAST AND SOUTH-EAST ASIAN COUNTRIES

(Annual percentage changes)

	1956-60	1961-65	1966	1967	1968
South Korea	4.7	6.5	13.4	8.9	13.1
China (Taiwan)	6.6	10.1	9.3	9.9	10.3
Philippines	4.5	5.9	6.0	6.6	6.3
Thailand	10.7 (57-60)*	6.9*	8.6	8.9	6.0
Malaysia	3.1*	6.4*	5.7	5 9	8.4
Indonesia	0.9 (58-60)*	1.6*	1.7	0.8	n.a.
Burma	5.7*	2.7*	—2.9	—1.4	n.a.

* GDP.

Sources: ECAFE Survey for 1966, 1967 and 1968 and UN Yearbook of National Accounts Statistics for 1955-65.

TABLF II

GROWTH RATES OF EXPORTS IN SOME EAST AND SOUTH-EAST ASIAN COUNTRIES

(Annual percentage changes)

	1956-60	1961-65	1966	1967	1968
South Korea	12.9	39.5	42.9	28.0	42.2
China (Taiwan)	5.9	47.5	19.1	19.6	25.1
Hongkong	9.2	19.6	15.8	15.3	14.2
Philippines	6.9	6 5	7 8	—0.8	3.3
Thailand	4.0	8.8	9.0	1.0	—3.6
Malaysia	4.3	5.3	1.6	—3.1	10.4
Singapore	0.6	—2.8	12.3	3.4	11.5
Indonesia	—2.3	—3.4	—4.0	—3.1	4.7
Burma	0.0	0.0	—13.4	—36.6	—9.8

Source: IMF International Financial Statistics.

years, Japan has been losing its international competitive strength in many of the traditional export items to other newly industrialised countries. One example is raw silk. Japan was known as the major exporter of raw silk for several decades in the past, but since 1966 it has become a net importer. In 1968, imports of raw silk amounted to $23.7 million while exports of raw silk were only $8.7 million. The major sources of raw silk for Japan are now mainland China and South Korea. The imports from S. Korea expanded five-fold, from $1.7 million to $8.1 million, in the last three years. While Japan's raw silk production and exports are dwindling because of labour shortages and high wage costs, Korean villages are booming with sericulture. Imports of silk fabrics into Japan are also increasing rapidly, from $4.2 million in 1966 to $25.9 million in 1968. About two-thirds of the imports came from South Korea and their value has expanded six-fold in the last three years.

Cotton yarn is another item that is turning from an export into an import item. Its major suppliers are Pakistan and Taiwan. Cotton fabrics are still an important item from Japan. While in 1960 exports amounted to $351 million and accounted for nine per cent of Japan's total exports, they declined in 1968 to $238 million, or only 1.4 per cent of exports. Meanwhile, imports of cotton fabrics are increasing steadily and the major suppliers of low-grade cotton fabrics are South Korea and Taiwan.

Import of Textiles

Total imports of textile goods into Japan expanded from $68 million in 1966 to $161 million in 1968 and those imported from east and south-east Asian countries increased from $8 million to $58 million. In addition to textile products, items such as toys, artificial flowers, footwear and electric appliances are increasingly being imported from other Asian countries; there are also beginning to be signs of increasing imports of parts and semi-manufactured items for the automobile, electronics and other machinery industries.

Thus, labour shortage and high wage costs in Japan are stimulating the growth of production and exports of manufacturing industries elsewhere in Asia. So far, this impact has been limited to relatively few items and, mainly, to countries near Japan; however, there is the possibility that this impact will spread over other commodities and a wider geographical area. One example is the growing interest in Indian government circles in the possibility of expanding complementary trade in manufactured items, including engineering goods, between India and Japan.

Apart from the increasing exports of labour-intensive manufactured items from Asian countries to Japan, there are possibilities of expanding exports of similar products to other high-income markets such as the United States, Canada, Australia, New Zealand and Europe. Exports of those items to the United States and other high-income

TABLE III

MARKET SHARES IN U.S. IMPORTS OF COTTON TEXTILES AND CLOTHING

(Per cent)

	Cotton textiles		Clothing	
	1962	1967	1962	1967
South Korea	1.4	2.2	0.2	4.4
Taiwan	5.0	3.7	2.2	4.0
Hongkong	14.8	20.8	17.1	22.6
Total	21.2	26.7	19.5	30.0
Japan	34.8	26.5	29.4	24.7

Source : Annual Survey on Foreign Trade, 1969. Ministry of International Trade and Industry. UN Commodity Trade Statistics.

TABLE IV

CHANGES IN EXPORT SHARES IN U.S. MARKET, JAPAN AND DEVELOPING COUNTRIES

(Percentage shares)

	1960		1967	
	Japan	Developing countries	Japan	Developing countries
Plywood	50 4	18.8	33.4	54.1
Silk fabrics	73.6	2.5	41.4	5.9
Toys and dolls	76.0	8.2	45.5	27.3
Umbrellas	87.9	2.8	61.5	33.9
Utensils	80.7	0 6	71.9	11.1
Transistor radios	97.6	0 5	77.7	19.7
Decoration lights	99.1	0.7	84.4	14.9
Tools	39.9	0 1	32.5	6.5
Sewing machines	65.1	0.1	57.5	0.3

Sources: Economic Planning Agency, Government of Japan, Annual Economic Survey, 1968.

TABLE V

MONTHLY WAGES IN THE TEXTILE INDUSTRY—JAPAN AND OTHER ASIAN COUNTRIES

(US dollars)

		1964	1965	1966	1967
Japan		62.8	69.6	76.8	85.2
South Korea		13.5	15.4	17.7	22.6
Pakistan		26.5	23.5	25.7*	..
India		30.4	34.3*	22.4*	..
Taiwan: Daily wage,	male	1.03	1.07	1.15	..
	female	0 68	0.70	0.73	..

* Tentative estimates.

Source: Foreign Trade Survey, 1969, Ministry of International Trade and Industry (Original source: ILO Year Book of Labour Statistics).

markets have been expanding rapidly in recent years. Table III shows the relative change of market shares in United States' imports of cotton textiles and clothing between Japan, South Korea, Taiwan and Hongkong. The shares going to South Korea, Taiwan and Hongkong are increasing at Japan's expense. Table IV shows more evidence of a declining share of Japanese products in the United States and a corresponding rise in the share of the developing countries. Even the relatively new export items from Japan, such as transistor radios and sewing machines, are losing to newly developing countries.

The basic factor underlying this development is the growing wage gap between Japan and other Asian countries. As we saw here last week, wages in Japan are rising fast and the impact of this on the international division of labour will become increasingly apparent. As shown in Table V wage differentials between Japan and other Asian countries have been widening.

Basic Question

One of the basic questions is whether or not the accelerated growth which is taking place in Japan and in some neighbouring countries is likely to affect other Asian countries, or even other parts of the developing world, so that the economic growth of the developing countries as a whole can be raised. According to the recent growth record in east and south-east Asia, a few countries such as Thailand, the Philippines, Malaysia and Singapore seem to have attained relatively high rates of growth, although they have been heavily influenced by the Vietnamese war expenditures and the fluctuations in the terms of trade of their primary export commodities. In Europe, less developed countries such as Greece, Yugoslavia and Spain, have attained a rapid growth of over six per cent a year in 1960-1967. Some of the Latin American countries, such as Mexico and Peru, have attained similar growth rates.

Although the rates of growth of these countries are not comparable to the very high rates of South Korea and Taiwan, there seems to be a general possibility that higher growth rates will be attained in the years to come. One thing that appears to be common to countries attaining high rates of growth is that they are in an intermediate stage of development. This transitional stage was cited recently as one of the reasons for rapid economic growth of Japan.

Experience in Japan and nearby countries suggests that among the several factors conducive to a high rate of growth are: (a) rapid growth of manufacturing industries, (b) export-oriented economic growth, (c) cost consciousness of the business enterprises about their products, (d) widespread small and medium-sized industries developed mainly by private initiative, (e) relatively efficient and productive agriculture, (f) relatively high standard of education and public administration, (g) paucity of indigenous natural resources which necessitates exports of manufactured goods, (h) aggressive import of foreign know-how and its adaption to local conditions, and (i) frequent cases of the separation of imported know-how from imported capital or management participation.

Thus, it seems necessary to develop export-oriented manufacturing industries in order to attain rapid economic growth. One exception would be countries with rich endowments of exportable natural resources such as oil and minerals. Mr Okita thinks it astonishing that India's total exports should be about the same as those of Hongkong. It is true that the larger countries can depend more on domestic markets than smaller countries. But it may also be true that if a country, large or small, finds the balance of payments bottleneck a major constraint on growth, it should seek to break the bottleneck by every possible means. To do this, India might look carefully at the example of accelerated growth in east Asia.

Partners, Not Friends

E.B. BROOK

VIENNA.

THE CURRENTLY most significant development in western Europe and among leading industrial countries generally is the increasing economic tension between the United States and its partners. This development has been brought into sharp relief this month at the International Banking Conference in Munich, at the 10th meeting of the ministerial council of the OECD (the Organization for Economic Cooperation and Development) in Paris, in the US Congress and in a speech by the French President at the end of an official visit to Belgium.

The tension is so deeply established, so long developed and now so potent that expression of it has been remarkably frank. Western Europe, Japan and the United States have come to a sharp clash of interests which can no longer be disguised by references to "partners and friends". The facts reveal that these three areas have become competitors in the sharper sense of that word with economic interests and policies vitally at variance.

The American plain speaking was led by the US Treasury Secretary, Mr Connally, who complained that, while the USA had supported the growth of west Europe's Common Market, had led repeated efforts to cut tariffs multilaterally and accepted pleas for considerable tariff protection from the others, it found little or no co-operation in attempting to reduce tariffs and a complete failure by western Europe to share the heavy cost of its nuclear defence.

At the OECD's ministerial meeting Secretary of State, Mr W.D. Rogers, was, if less blunt in expression, equally insistent that trading and tariffs must be co-operative affairs and not competitive. By an enlarged Common Market the USA would expect its interests to be taken more fully into account. The USA is particularly irritated at the lack of appreciation by its political associates of the fact that the costs of its huge contribution to western defence relate to economic conditions. The deficit in the US balance of payments helps to ensure security for the non-communist world and for west Europe in particular and the 5,000-million-dollar balance of payments costs for military expenditure overseas have consistently exceeded the size of US basic payments deficits. This is the fact which the USA insists that the OECD takes more fully into account when assessing the American position.

US Objections

More to the point, the USA is beginning to be insistently critical of the Common Market's exclusiveness, its high tariffs and generally self-protecting attitude. It voices increasingly strong objection to the inroads made into American exports by the extension of preferential trading areas by the Common Market in developing countries. It sees in western Europe's careful restriction on imports from Japan the cause of the intense concentration by Japanese industry on importing into the US markets. The operation of the common agricultural policy of the Common Market, also, seriously hinders the development of American agricultural exports to Europe. A threatened new artificial curb to US industrial exports to Europe arises from the possibility of further preferential arrangements between the

Common Market and some non-member industrialised countries in Europe.

This is a long tally of complaints from a major trading country which claims to have inflation rates below those of its major European partners, and which seeks by trading to reduce its balance of payments deficit. The official US view on its containment of inflation in America is not, however, shared on Wall Street where the success is regarded as no more than modest. In the last three months the quantity of money in the US economy has surged at a rate faster than in any three-month period since 1950. Unless checked, this could lead to a new bout of inflation and the First City National Bank has warned the Federal Reserve that it is in imminent danger of "putting the US economy back on the roller coaster."

European Counterweight

The Europeans are also not at all impressed by the US charges nor by the display of disappointed indignation at Europe's ungrateful lack of co-operation and its studied policy of self-interest. The French President claims that the US dollar is now so weak that it cannot be used much longer as an internatinal monetary standard. He claims that the dollar constantly loses value because of American internal policy and considers that Europe should create a counterweight to the dollar through a monetary unit that should not be "purely and simply dependent on the dollar." The French insist that Europe must distinguish itself from America because, if it does not, the close ties between the two areas would result in the Europeans becoming American "and we do not want to be American; we want to be European with a European way of life" distinct from the current crisis in civilization that has "resulted from an industrial development specifically American."

While the French and the Europeans generally insist on the maintenance of the Bretton Woods Agreement and that the USA must not try to pass its balance of payments problems on to others and continue to buy up European companies with "overvalued dollars", the Chairman of the US Congress Joint Economic Subcommittee finds that under the present monetary system the US "unnecessarily cripples itself by its inability, under the Bretton Woods system, to alter its exchange rate with other countries." His solution is formally to end the US commitment to sell gold to foreign banks at 35 dollars an ounce and eventually to have the Federal Reserve System support the exchange value of the dollar by operations in foreign exchange markets.

One basic cause of these international recriminations appears to be that these otherwise friendly states are all using systems that have become partly outdated. The Bretton Woods system has been in use for 23 years and, like the OECD itself, was created at a time of urgent post-war recovery when national considerations were overriding, a condition characteristic rather of the 19th than the 20th century. Now national interests have been replaced very largely by groups—the Common Market, EFTA, Comecon among others—which have established new forms of industrial, farming and social co-operation and of international trading. There is reason for study of the proposal that a new multinational body be set up to discuss problems arising from the novel techniques in international finance and trade. Neither the OECD nor GATT are remarkably elastic and all institutions tend to conservatism in method. The danger is that, without some new methods, today's "partners and friends" will continue to wrangle until some really serious differences arise between them.

The moving finger writes

THE SINS of Jawaharlal Nehru are being visited not so much on the head of his daughter as on the heads of the people of this country who now happen to be her subjects. A sharp-witted and rather sharp-tongued friend of mine (who more or less belongs to the profession to which I do) remarked recently that India would have been saved a great deal of trouble if only on that fateful day of August 15, 1947, there had been somebody man enough in Indian politics to compel Nehru to take up the vice-chancellorship of some university—any university—for the rest of his (i.e. Nehru's) natural life. Unfortunately, what actually happened was that Nehru was allowed to function as the Prime Minister of India for some 17 years and during this period he had managed to impose on the Government of India a foreign policy and worse still a set of foreign policy attitudes which, in crisis after crisis, whether in his own lifetime or after, miserably failed to serve the interests of this country.

At no time, however, was this failure more dangerous to our national security than it is now when India finds itself perilously alone in coping with the repercussions of the Bangla Desh movement on its national economy and social fabric as well as on its political relations with an aggressive and chronically hostile neighbour. Although the Government of India has been crying hoarse that Pindi's effort to suppress the people's movement in East Bengal with the use of massive military violence constitutes a threat to peace in these parts of the world, the big powers have decided apparently to treat the matter primarily and mostly as a humanitarian question of assisting in the relief and rehabilitation of the ravaged people of East Bengal, whether in their own country or on Indian soil where millions of them have sought refuge.

It must be a matter of concern for our people and shame for our government that the latter has so far been signally unsuccessful in lobbying for the East Bengal situation to be raised in the Security Council as a political issue threatening world peace. So very futile has been our diplomacy in this respect that the Prime Minister has been reduced to complaining that the United States is being influenced in its judgment of the situation in East Bengal by the British Foreign Office to such an extent that it is inclined to treat the issue of Bangla Desh as merely yet another Indo-Pakistan dispute. Mrs Gandhi may be justified in arguing that had the world powers put sufficient pressure on Pindi at the very beginning, the latter might have been forced to seek a political compromise rather than a military decision as a means of settling the Awami League's demand for radical changes in the political dispensation in Pakistan. But she is surely being naive when she insists on the proposition that the world powers should have no difficulty in agreeing with India that it was —and is—in their own interests to exercise pressure on Pindi to seek accommodation with a political movement in East Bengal which is aiming at ending the hegemony exercised by the government in Pindi.

This takes me to my earlier point about the basic weaknesses in our foreign policy as Jawaharlal Nehru chose to fashion it or foist it on the Government of India. Perhaps the most deplorable of those weaknesses is the facile assumption on the part of successive administrations in New Delhi that other countries could not but come round to taking the same view on Pakistan as this country or its government does. It has been a perilous premise of our diplomacy that sooner or later we would be able to persuade the big powers to share our own assessment of Pakistan in its impact on the chances of peace or progress on the sub-continent.

The Prime Minister has ruefully confessed that the prospects of the big powers of the world community exerting their influence on Pindi to negotiate a political settlement with accredited leaders of East Bengal are becoming more remote, but this dose of realism has not been enough to make her see the hollowness of her declaration that the Government of India is determined to ensure the return to East Bengal of every man, woman or child which has crossed over into this country. At the time of writing, the number of these refugees is as near to six millions as makes no difference. It is a safe prediction that the Government of India would be as helpless in removing this vast number back into East Bengal as it was in preventing their influx into our country in the first instance.

The issue here is not whether we should have used force along our borders to check the arrival of these unfortunate people who were fleeing into India for their very life but whether any effective sanctions are open to New Delhi to force these people to go back to a country where they have still so much to fear. If the implication to Mrs Gandhi's declaration that the refugees would have to go back is that she is confident of a liberal political settlement being reached in East Bengal sufficiently soon, I for one am tempted to say that her middle name must be Micawber. Whatever Mrs Gandhi may choose to believe or say for public consumption, the greater part of the current flow of refugees from East Bengal will simply soak into or stagnate on the more or less hospitable earth of India.

* *

The Hindustan Times reported the other day that a large sum of money was spent on remodelling and decorating what was the office room of a mere secretary to the government so that it could become a habitation fit for an honourable Member of the Central Cabinet. A prompt denial of the press report was issued on his behalf, the official or semi-official version being that the expenditure incurred had been grossly exaggerated. This may be so, but the more relevant fact is that the VIP concerned, Mr Uma Shankar Dikshit, has become a minister in New Delhi for the first time at the ripe old age of 69 going on to 70. *The Hindustan Times*, I am sure, will, on second thoughts, agree that Mr Dikshit's years entitle him to special consideration. Had he been fortunate enough to become a minister while he was much younger, he would no doubt have been content to take his fill of ministerial privileges, perquisites and prerogatives unhurriedly over a period. As it is, he is an old man in a hurry who must make up for lost time. In any case, *The Hindustan Times* should not have cavilled at the pains taken by the Ministry of Works and Housing of which, incidentally, Mr Dikshit is the presiding minister, to provide him with an attached bathroom by adapting an office room to that purpose. It is a well-known fact that ancient gentlemen do need to be assured of ready and easy access to toilet facilities.

V.B.

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DAZZAL

Trade Winds

CENTRAL LOANS FLOATED

THE GOVERNMENT of India has announced the floatation of three new loans of 7, 15 and 30 years' maturity, aggregating Rs 375 crores. The loans are: (i) 4.75 per cent Loan 1978 to be issued at Rs 100.00 per cent and repayable at par on July 1, 1978; (ii) 5.25 per cent Loan 1986 to be issued at Rs 100.00 per cent and repayable at par on July 1, 1986: and (iii) 5.75 per cent Loan 2001 to be issued at Rs 100.00 per cent and repayable at par on July 1, 2001. Subscriptions to the above loans will be received in the form of cash, cheque or securities of 4.50 per cent Loan 1971.

Subscriptions will be received from July 1, 1971 to July 3, 1971, but the subscription lists may be closed earlier without notice as soon as the total subscription amounts to Rs 375 crores. The government reserves the right to retain subscriptions up to 10 per cent in excess of the notified amounts. If the total subscriptions received for the new loans exceed the notified figure plus the amount of 10 per cent retainable as aforesaid, partial allotment will be made in respect of the cash subscriptions received and the balance refunded in cash as soon as possible.

The securities of the 4.5 per cent Loan 1971 will be accepted for conversion at par. Interest at the rate of 4.5 per cent per annum on the securities of 4.5 per cent Loan 1971 tendered for conversion will be paid upto and inclusive of June 30, 1971, at the time of issue of the new securities.

The new loans will bear interest from July 1, 1971. Interest on the loans will be paid half-yearly on January 1 and July 1. Interest payable on the securities of all the three loans will be liable to tax under the Income-Tax Act, 1961. Interest on government securities along with income in the form of interest or dividends on other approved investments will be exempt from income-tax subject to a limit of Rs 3,000 per annum, and subject to other provisions of Section 80 L of the Income Tax Act, 1961.

REPAYMENT OF LAON 1971

The outstanding balance of the 4.50 per cent Loan 1971 is repayable at par on July 1, 1971 and no interest will accrue thereon from that date. The holders, if they desire, may tender their securities for conversion into any of the new loans being floated viz. 4.75 per cent Loan 1978, 5.25 per cent Loan 1986 and 5.75 per cent Loan 2001. Those who do not desire to convert their securities may, to facilitate repayment on the due date, tender their securities at the public debt office, treasury or the branch of the State Bank of India or its subsidiary banks (at which they are enfaced/registered for payment of interest), on or after June 21, 1971. Full details of the procedure for conversion of the securities or obtaining their discharge value can be obtained from any of the aforesaid offices.

AID FOR FERTILISERS

Britain and the United States today committed aid loans totalling Rs 28 crores for a giant fertiliser complex to be built in Gujarat by the Indian Farmers Fertilizer Co-operative Ltd (IFFCO). This is the first time Britain and the United States have collaborated on a single development project in India. Their combined loans will meet almost all the foreign exchange costs of building and equipping the complex, which will be the biggest of its kind in India. The complex will be completed in 1974 and is expected to produce fertilisers sufficient to increase India's food production by more than 2.2 million metric tons. The agreements for the British credit of £ 7 million (Rs 12.6 crores) and the US credit of $ 21 million (Rs 15.75 crores) were signed in New Delhi recently.

The project has been undertaken with the co-operation of Co-operative Fertilisers International (CFI), a nonprofit organisation owned by 13 US co-operative organisations. The CFI is donating one million dollars (Rs 75 lakhs) to IFFCO. The most sophisticated equipment manufactured in India, America and Britain will be used to produce a wide range of fertilisers suitable for the soils of 10 Indian states : Andhra Pradesh, Gujarat, Haryana, Madhya Pradesh, Maharashtra, Mysore, Punjab, Rajasthan, Tamil Nadu and Uttar Pradesh. Distribution of the fertilisers will be handled by societies belonging to the groups of more than 30,000 co-operative societies which have joined together to form IFFCO.

The first stage of the fertiliser production process will be at Kalol, where a giant factory will convert gas from the area's natural gas fields into ammonia. US-financed equipment will primarily to installed here. Most of the ammonia produced will be converted in an adjacent plant into urea, a nitrogen-rich fertiliser. Equipment purchased with British aid funds will constitute the core of this urea plant. British equipment will also be used to a large extent in the plant for the manufacture of compound fertilisers to be erected at Kandla port, some 250 miles from Kalol.

U.K. GRANTS FOOD AID

An agreement was signed recently formalising an offer made some time ago whereby the UK is giving India a grant of £5,00,000 (Rs 90 lakhs) for the purchase of wheat, grain or flour during the harvest year 1970-71. This is the third year in which such grants have been made by the British government to India. This gift fulfils part of the obligation which the United Kingdom accepted under the terms of the Food Aid Convention which came into effect in 1968. Under this Convention the United Kingdom agreed to provide 225,000 tonnes of grain or the cash equivalent each year for three years as assistance to developing countries. This grant is additional to the financial aid and technical assistance which the United Kingdom makes available to India each year.

'LEAST-DEVELOPED' NATIONS

Afghanistan, Bhutan, Nepal, Sikkim, Laos, Yemen, Maladives and Western Samoa are among the world's 25 "least-developed" countries, according to a United Nations report. The report, prepared by the Committee for Development Planning—an advisory body of 18 experts—points out that India and Indonesia, although not qualifying as least-developed, have a very large number of poor people. The 25 countries classified as least developed have been selected as they meet three main criteria—per capita income of less than $100 (Rs 750) a year, manufacturing accounting for less than 10 per cent of the Gross Domestic Product and a literacy rate of less than 20 per cent for 15-year olds and above. Among the 25 least developed nations, 16 are in Africa, including Uganda. Sudan, Somalia, and Ethiopia, and only Haiti in Latin America.

AIRLINES' CO-OPERATION

Broader operational and technical co-operation among most of Europe's major airlines will result from a recent resolution to enlarge the "Montaparnasse Committee" established four years ago by 10 European carriers. To reflect the enlargement of its scope and membership, the Committee also decided at its recent plenary session

in London to change its name to "European Airlines Montaparnasse Committee".

Called after the Montaparnasse, Paris, head office of Air France, at whose initiative it was founded in June 1967, the Montaparnasse Committee had as its original objective the co-operation among its 10 member airlines for the most efficient and economic operation of the new large-capacity sub-sonic jet-liners and of the coming super-sonic transport aircraft. Charter members of the Committee were Aer Lingus, Air France, Alitalia, BOAC, Iberia, KLM, Lufthansa, Sabena, SAS, and Swissair. Meanwhile, the Committee has admitted nine additional carriers, bringing its total membership to 19 airlines, all of which are members of the International Air Transport Association.

All of the 19 European airlines have undertaken to pool their individual experiences for the common interest of the European airlines community, enabling them to co-ordinate their activities in as many technical and operational fields as possible. Co-operation of the Committee member airlines has already resulted in standard design of ground installations and ordering of initial stores of aircraft parts, fixtures, and spares

WORLD NICKEL OUTLOOK

Mr Henry S. Wingate, Chairman of the International Nickel Company of Canada Ltd, devoted a good deal of his annual address to the shareholders of the company in making an incisive analysis of the pattern of actual world consumption of nickel during the decade 1960 to 1970 and in forecasting of the likely trend in consumption of the metal in the ten-year period 1970-1980. Over the past ten years there was a basic upward direction in the demand for nickel and the years 1971 and 1972, according to the chairman, are likely to be periods in which production capacity will outdistance nickel demand. For the balance of the decade the expected demand and industry's capacity to meet it will remain in very close balance. The nickel consumption which was estimated at a little under one billion pounds in 1970 is expected to be doubled by 1980.

The chairman also gave a broad picture of as to how the consumption has moved ahead in some significant and insignificant nickle consuming countries of the world. Italy, for instance, consumed in 1960 only 14 million pounds and France 43 million lbs. Ten years later consumption had tripled in Italy and risen by 85 per cent in France. In 1980 the combined consumption in the two countries will be double what it was in 1970. The entire European Economic Community's consumption of primary nickel in 1980 is projected at 450 million pounds, which is twice as much as for 1970. The record for Japan is dramatic. There was a fivefold increase in the consumption of primary nickel by the Japanese industry during 1960-70. It rose from 40 million pounds in 1960 to about 200 million lbs by the end of last year and the demand is expected to grow up to 450 million lbs by the end of 1980, the same as projected for the EEC. Nickel consumption in 1960 amounted in Canada to 12 million pounds and in the USA to 220 million pounds. By 1970 it had increased three times in Canada and 50 per cent in the USA.

CAFI

Chemicals and Fibres of India Ltd—popularly known as CAFI—has set up a landmark in the field of exports. From 'mini' proportions it had made 'jumbo' strides in exports within a short span of time. A modest start in exports was made in 1966. Since then it had made phenomenal progress and its exports have already crossed the Rs 3 crore-mark and a further leap forward is expected in the current year. This is truly an astounding performance for a company which is essentially concerned with the manufacture of 'Terene' fibre.

CAFI's fabulous export products are developed exclusively by the CAFI technical service laboratory and they are then converted into export merchandise at over 25 mills and garment factories under the closest scrutiny and supervision of CAFI's highly equipped quality control department. With accent on quality and emphasis given to the retention of traditional Indian designs, CAFI's products enjoy a reputation in overseas markets for their excellence, exclusiveness, quality and durability. A wide range of fabrics and ready-to-wears both in 100 per cent 'Terene' and in 'Terene' blended with silk, cotton, jute, viscose and camel hair are being increasingly marketed and are being sold in over 35 international markets, stretching from Australia, Africa, the Far East, the Middle East, to Europe and the USA. To make the products more and more popular the company takes an active part in all major international trade fairs and exhibitions. It is worth mentioning here that Imkemex India Ltd, the export house recognised by the Government of India and the winners of an outstanding export award, is handling CAFI's exports.

HEAVY DUTY FUSE-SWITCHES

Larsen & Toubro has put on the market, for the first time in India, indigenously developed low tension heavy duty fuse-switch units. The units in the newly introduced range are rated at 250 A, 400 A, and 630 A. They can make and break currents up to 300 per cent of the rated current at 0.3 power factor at 110 per cent of the rated voltage. Thus these units comply with heavy duty fuse-switch standards. These type FB fuse-switches are extremely compact—a welcome feature for switch-board manufacturers—and incorporate a number of safety features. The switching is double break; fuses are completely isolated when the switch is 'off'. The operation is quick-make and quick-break, manually independent and has a positive break feature. The fuse-switches are of a totally enclosed, dust and vermin proof design and can be had in elegant sheet steel enclosures or cast iron enclosures. The indigenous development of the fuse-switches was backed by L &T's extensive design and testing facilities. Special attempts have been made to ensure maximum utilisation of indigenously available raw materials without sacrificing high performance and safety standards.

NEW KEROSENE PRICES

The union government has issued an order amending the Kerosene (Fixation of Ceiling Prices) Order, 1970. The order, issued under the Essential Commodities Act, 1955, has fixed the basic ceiling of selling prices of kerosene in bulk per kilolitre ex-storage points as follows: (In rupees)

Port/Refinery	Superior kerosene	Inferior kerosene	Aviation turbine fuel
Kandla	504.46	309 03	474.34
Okha	505.67	310.25	479.37
Bombay/ Koyali	501.30	305.87	476.74
Goa	503 10	307.70	476.70
Cochin	503 80	308.40	—
Madras	511.72	316 39	496.10
Vizag	509.10	313.75	—
Calcutta/ Digboi/ Gauhati/ Barauni	515.88	320.69	494.93

NAMES IN THE NEWS

Mr Tej Kumar Sethi, Managing Director of Binod Mills Co. Ltd, Ujjain, was elected as the Chairman of the Indian Cotton Mills' Federation for the year 1971 at a meeting of the committee of the Federation held on June 10, 1971. **Mr K. Sundaram**, MP, Director, Lakshmi Group of Mills and **Mr Balkrishna Harivallabhdas**, Managing Director of Shri Ambica Mills Ltd, Ahmedabad, were elected as Deputy Chairman and Vice-Chairman, respectively.

Company Affairs

TISCO

THE DIRECTORS of Tata Iron and Steel Co. Ltd have maintained the equity dividend at Rs 8.60 per share for the year ended March 31, 1971, thus maintaining the rate of distribution for the fourth year in succession. Dalal Street greeted the announcement and the scrip gained by 50 paise to Rs 105. The scrip after opening slightly higher at Rs 105 in Bombay on June 16, moved up to Rs 105.25 and closed at Rs 105 as against the previous closing of Rs 104.50.

Sales exceeded the Rs 150 crores-mark and stood at Rs 150.75 crores as compared to Rs 144 37 crores in 1969-70. Gross profit scaled to a new peak and stood higher at Rs 30.27 crores as against Rs 24.52 crores in the preceding year. The sharp rise in the profit in the face of sustained escalation in costs is a welcome feature of the company's operations during the year. The provision for depreciation was stepped up from Rs 13.19 crores to Rs 16.10 crores. The increase is partly due to larger additions to plant and machinery during the year and partly due to the revision in the rates of depreciation and re-classification of assets as per the amendment to the income-tax rules with effect from April 1, 1970. The appropriation to taxation reserve was raised from Rs 5.20 crores to Rs 6 70 crores and for development rebate reserve from Rs 2.25 crores to Rs 3.10 crores. The net profit, after these allocations, amounted to Rs 4 37 crores as compared to Rs 3 88 crores in 1969-70. The entire amount was transferred to general reserve. Preference dividends will claim Rs 0 84 crore, the same as in the preceding year, and equity dividends will absorb Rs 4 42 crores, the same as in the earlier year, and it will be paid out of the general reserve.

MUSCO

Mahindra Ugine Steel Company Ltd has finalised the financial plan for balancing equipment and it is in the process of releasing the orders for plant and equipment required to produce 24,000 tonnes of finished steel on an integrated and sustained basis. Although the company produced more than 25,000 tonnes in 1970 which was made possible by re-rolling about 1,500 tonnes of blooms into finished products, it has not lulled the company from forging ahead with the balancing scheme. In furtherance of its plans to expand the capacity of the plant and to achieve maximum economies of scale the company has submitted to the government a comprehensive plan for expanding the productive capacity up to 60,000 tonnes of finished tool, alloy and special steels per annum. In the context of the windening gap between demand and production of alloy and special steels in the country, the company expects a favourable decision from the government shortly. This was revealed in the annual statement of the Chairman, Mr Harish Mahindra, to the shareholders of the company.

The chairman urged the Government of Maharashtra to re-structure the power tariff in the state in a way which would give certain tangible benefits to power-intensive industries. As electric power is one of the basic inputs for producing steel in electric furnaces, the chairman argued, that it was therefore necessary to revise the power tariff applicable to metallurgical industries in particular with a view to giving a competitive edge to steel produced within the state. As other states such as Haryana, Kerala, Madhya Pradesh, Mysore, Punjab and Rajasthan are offering different kinds of concessions or rebates to electro-chemical and electro-metallurgical industries, the chairman hoped that the committee appointed by the Government of Maharashtra to inquire into this question would keep these facts in mind inasmuch as power costs would largely determine the growth prospects of metallurgical industry in Maharashtra. The state, according to the chairman, should aspire to have at least 25 per cent of the liquid metal capacity and this can only be achieved, in the opinion of the chairman, if the disincentive in the form of a high power tariff was removed.

The chairman welcomed the setting up of mini steel plants. He, however, cautioned the government to go thoroughly into the production cost aspects so that they can meet effectively the competition from the integrated steel plants.

JAY SHREE TEA

Jay Shree Tea and Industries Ltd has reported striking improvements in its working results during the year ended December 31, 1970. New records were set up by the company in many fields of its operations during the year. Sales soared to Rs 9.99 crores from Rs 8.81 crores while gross profit recorded a smart rise to Rs 165.02 lakhs from Rs 102.26 lakhs in 1969. Against the background of all-round rise in costs of production the working results should be considered very satisfactory.

Out of the gross profit, the directors have set a sum of Rs 41.04 lakhs to depreciation reserve as compared to Rs 42.71 lakhs in 1969 while the appropriation to the development rebate reserve was stepped up by Rs 1.68 lakhs to Rs 4.68lakhs. Taxation absorbed Rs 58.50 lakhs as against Rs 22.50 lakhs in the preceding year while the allotment to development allowance reserve was reduced by Rs 1.25 lakhs to Rs 2.75 lakhs. This leaves a higher surplus of Rs 58.04 lakhs as compared to Rs 30.06 lakhs in 1969. Out of this, an amount of Rs 53.04 lakhs was appropriated to general reserve as against Rs 25.05 lakhs a year ago. Encouraged by the working results, the directors have enhanced the equity dividend to Rs 1.10 per share as against Re 1 per share paid previously.

The directors visualise a bright future for the company considering that all its units are working efficiently. The quantity of tea harvested, for instance, rose from 8.42 million kgs to 10.16 million kgs. The directors feel that with modern techniques of cultivation,perennial plucking and better control and supervision, there is considerable scope for further increase in production followed by sizable rise in profits.

ANDHRA BANK

A branch of Andhra Bank Ltd, the largest banking institution in the private sector, was inaugurated in New Delhi last week by Mr V. V. Giri, the President of India. This will be the second branch of the bank in the capital. The bank has made remarkable progress in branch expansion, deposit mobilisation, advances to priority sectors and other fields particularly since 1968. The number of branches for instance, shot up from 121 in 1968 to 220 in 1970 while deposits swelled from Rs 40.90 crores to Rs 65.05 crores. The number of depositors multiplied from 275,000 to 418,000 during the same period while advances almost doubled from Rs 25.48 crores to Rs 46.27 crores. It is interesting to observe that the Andhra Bank is the only 'lead bank' in west Godavari, east Godavari and Srikakulam districts in Andhra Pradesh and Ganjam district in Orissa. Under the special 'technical scheme' the bank has financed a number of deserving technocrats to the extent of 100 per cent of the requirement of plant and machinery and also cent per cent of the requirement of working capital. As

on December 31, 1970, the bank's outstanding advances to agricultural sector touched Rs 9.85 crores, the limits sanctiond being Rs 13.38 crores. At the end of last year the bank had financed about 950 small-scale units with sanctioned limits of Rs 14.50 crores and outstandings to the tune of Rs 7.01 crores. It also financed exports to a considerable extent. In brief, as on December 31, 1970, out of the total advances of the bank amounting to Rs 46.27 crores, advances to the priority, sectors aggregated Rs 18.64 crores accounting for 40 per cent of the total advances. All in all, 1970 was an year of all round growth and expansion for the bank and it is well poised for reaching new heights in all spheres of its activities in the years to come.

ZUARI AGRO CHEMICALS

Mr K. K. Birla, Chairman of Zuari Agro Chemicals Ltd, has struck an optimistic note about the future prospects of the company. The construction work at the project site at Goa has maintained its progress so far. The design and engineering work is substantially complete, all major items of imported and indigenous machinery have been ordered and the civil works connected with the various buildings have also made satisfactory progress. The product costs remain so far within the original budgeted amount of Rs 56.55 crores despite an increase in capital costs as a result of the new budget levies. Barring unforeseen circumstances, the plant is expected to go on stream by the second half of 1972. In all, it will be producing 430,000 tonnes of fertilizers, consisting of 150,000 tonnes of 'uramphos' 28 : 28 : 0, a highly concentrated complex fertilizer and 280,000 tonnes of urea. The company is now directing its efforts in setting up a well-knit sales organisation to deal with the large tonnage of fertilizers that will be rolled out of the mills by the later half of next year.

LIMCA

A welcome addition to the cold drinks available in Delhi this summer is "Limca" — a delicious mixture of lime and lemon fortified by isotonic salts and vitamin C. Produced to the specifications of its Italian counterpart by Bisleri India Private Ltd, Limca was introduced here a few days ago by Delhi Bottling Company who are the authorised bottlers of the product in the northern region. The northern region is the third one where Limca is currently available, the other two being the western and the southern regions. Shortly it is proposed to be introduced in east India where Alokudyog are expected to be the authorised bottlers. The concentrate for the entire country is produced in Bombay.

NEW ISSUES

Chemicals and Fibres of India Ltd is offering for public subscription 267,273 equity shares of Rs 10 each at a premium of Rs 15 per share. The subscription list opens on July 5, and will close on July 17 or earlier but not before July 7, 1971. The company has an authorised captial of Rs 10 crores and an issued, subscribed and fully paid-up capital of Rs 4.90 crores. The present issue is for 445,455 equity shares of Rs 10 each at a premium of Rs 15 per share. Out of the present issue, 178,182 equity shares of Rs 10 each at a premium of Rs 15 per share have been offered for subscription by those members resident in India whose names were on the Register of Members of the Company as on May 7, 1971 in the proportion of 10 new equity shares for every 109 existing equity shares held on that date on condition that the equity shares not taken by them will also be available to the public for subscription. The remaining 267,273 equity shares of Rs 10 each are thrown for public subscription at a premium of Rs 15 per share.

The company is engaged in the manufacture of polyester staple fibre, which it markets under the trade mark 'Terene', in technical collaboration with Imperial Chemical Industries Ltd. It started with an initial capacity of 2041 tonnes of polyester fibre per year. The capacity was subsequently raised to 4500 tonnes per annum and the increased capacity became fully operative in 1968. Meanwhile the company received a letter of intent for expanding the annual capacity further to 6,100 tonnes from the existing capacity of 4,500 tonnes. The letter of intent was issued to the company on condition that the company would undertake an increase in the association of Indian capital by reduction in the foreign equity capital. The present issue is being made to fulfil this condition. The Imperial Chemical Industries Ltd, UK, presently holds 60 per cent of the equity capital of the company.

Straw Products Ltd entered the capital market on June 25 with a public issue of Rs 20 lakhs divided into 20,000 cumulative redeemable preference shares of Rs 100 each carrying an interest of 9.3 per cent per annum. The amount of Rs 100 per share is payable in full on application. The application must be for a minimum of five shares or multiples of five. The subscription list will close on July 6 or earlier at the discretion of the directors but not before June 28, 1971. The entire public issue is underwritten by LIC, ICICI and National Insurance Company Ltd. The company manufactures different varieties of boards in its factory at Bhopal and high grade printing and writing paper in its paper mills of Jaykaypur in Orissa, the existing annual capacities of the factories being 13,000 tonnes and 19,000 tonnes respectively. The paper unit at Jaykaypur is being expanded for manufacture of 9,500 tonnes annually of top grade light weight papers such as tissues, manifold, air-mail, bank bond and other speciality papers, M.G. papers and coated papers and boards. The capital cost of the expansion scheme is placed at Rs 8.52 crores. The proposed issue of preference shares for Rs 20 lakhs will meet a part of the finance required for expansion.

Gujarat Polyamides Ltd, in which Baroda Rayon Corporation Ltd has substantial interests is entering the capital market on June 28 with a public issue of Rs 238.63 lakhs consisting of 12,86,300 equity shares of Rs 10 each and 110,000 (9 5 per cent) redeemable cumulative preference shares of Rs 100 each. The subscription list will close on July 8. The directors may close it earlier if the issue is heavily oversubscribed but the closing of the list will not be earlier than July 1, 1971. Out of the public issue, equity shares worth Rs 42 81 lakhs and the entire issue of preference shares have been underwritten by IDBI, LIC, ICICI, IFC, UTI, and Indian Guarantee and General Insurance Company Ltd. The remaining equity capital of Rs 85 82 lakhs will be taken up by Baroda Rayon Corporation in case the issue is not fully subscribed by the public.

The company is establishing a plant to manufacture nylon-6 yarn with a capacity of five tonnes per day at Udhna, Surat. This will be the first nylon plant in Gujarat. It has entered into a collaboration agreement with the well-known Italian firm, Messrs Italviscosa Eastern Trading S.p.A, who are the associates of Messrs Snia Viscosa S.p.A. one of the biggest manufacturers of man-made fibres and plants in Europe. The capital cost of the project is estimated at Rs 11 crores and it will be financed by raising equity capital of Rs 3.30 crores, preference capital of Rs 1.10 crores, foreign exchange loan from ICICI and IFC of Rs 3 12 crores, Italian credit of Rs 0.70 crore and rupee loans and debentures worth Rs 2 77 crores from IDBI, IFC, UTI and LIC.

The plant will be on stream by the second half of 1973. The directors are of the opinion that in the absence of unforeseen circumstances the company will be in a position to declare its maiden dividend much earlier than other nylon manufacturing companies. As the company's shares are commanding substantial premium in unofficial deals, the market circles feel that the public issue of the company will be oversubscribed.

COMPANY MEETING

The Chartered Bank Organisation

Chairman, Mr. W.G. Pullen's Statement

The following are extracts from the Statement and Overseas Survey by the Chairman, Mr. William George Pullen, to be presented at the Annual General Meeting of the Chartered Bank on 30th June 1971, at 38 Bishopsgate, London, E.C. 2.

Our merger with our friends The Standard Bank Limited was effective from 1st January 1970 and in the ensuing year most satisfying progress has been made towards our final goal of the closest possible collaboration compatible with the interests of the respective banks and thereby those of the share-holders in our joint fortunes. In particular, plans are well advanced for a joint international division which in size and diversity will have greater scope for handling the large and wide-spread demands of international companies and yet will still give that personal service which our customers, no matter how small or in what part of the world, have come to expect.

Although, as usual, the year did not pass without one or two political setbacks, the most important of which was the nationalisation of our business in Libya, 1970 was a successful year in which we were able to take full advantage of steady conditions in most of our territories and of increasing world trade. Once again too the relative stability of all the major currencies enabled us to give exchange cover to our large trading customers without undue risk to ourselves, and in this connection it is reassuring that H.M. Government has agreed to renew the guarantees against the effects of devaluation for those countries of the sterling area maintaining the greater portion of their overseas balances in London. Furthermore, in spite of some underlying weakness in the United States dollar, and a reluctance of some of the more powerful countries to regard Special Drawing Rights as desirable alternatives to gold and currency holdings, there has been an obvious concerted effort by central bankers to play down, and eradicate if possible, any disparities arising from pressures in the foreign exchange market. Whilst changes in the parities of any of the world's leading currencies might therefore appear unlikely in the near term future we cannot overlook the extraordinary power generated in free Euro currency markets which could exert sufficient pressures from the flow of hot money to over-ride the monetary policies and interests of individual countries. The United States dollar will, however, continue to suffer all the stresses, which we know so well, of being a reserve currency. There is too, in spite of more inclination to write and talk of a world central bank, very little likelihood of a fundamental change in the present system for a long time to come.

Mention has been made of the nationalisation of the Commercial Bank S.A.L. in Libya, the first joint Libyan bank founded and in which we held forty-nine per cent of the capital. It is not easy to understand either the political or economic reasons for this action but Libya, a rich country, has promised to pay full compensation. Last year I referred to our expectation that India would reimburse us in full for the nationalisation of the Allahabad Bank Limited, and I am pleased to say that we have received the first of the three compensation instalments. Only Burma still shows no intention of honouring its promises and obligations and so assumedly can still have no plans for enlisting overseas aid to underpin its ailing economy.

This Year's Accounts

The consolidated balance sheet figures have again increased and this year total £1,010 millions, an increase of £75 millions over the figure for 1969. Current, Deposit and Other Accounts have increased by £60 millions and Advances to Customers and Other Accounts by £50 millions. In The Chartered Bank's own accounts £4,400,000 has been transferred from inner reserves to the Reserve Fund which now stands at £22 millions. In the Group accounts, capital and consolidated published reserves together with the balance on profit and loss account now total £34,210,908, an increase of £5,046,998 over the corresponding figure for 1969.

Dividends are now payable in their entirety to our parent, Standard and Chartered Banking Group Limited, whose first accounts to 31st March 1971 cover a period of 15 months. In consequence the dividends, paid and proposed, totalling £2,950,000, which appear in the profit and loss account exceed by £590,000 the amount which would be required on a twelve months' basis. To accommodate the excess payment The Chartered Bank's own transfer to Reserve Funds from published profits has been reduced from a figure of £1,000,000 in 1969 to £600,000 and there is a reduction in the carried forward balance on profit and loss account from £1,045,622 to £948,790.

Introduction to Overseas Survey

In order to adjust more nearly to the yearly report of our friends The Standard Bank Limited this survey covers a period of fifteen months to the end of March 1971, which is perhaps useful for the last three months of the period saw some unusual and unexpected political twists and changes affecting some of the countries in which we operate.

Generally speaking the Vietnam war has been going on so long that as such it no longer commands over-riding interest and it is significant that newspapers both in the United States and in this country think that the only events worth stressing are so called reserves for the United States and South Viet-

nam forces. Full credit is seldom given for the steady progress achieved, particularly in restoring large areas of South Vietnam to near normal conditions and to the building up of that country's armed forces to a strength that will prevent the country falling into communist hands as United States forces are withdrawn. There is still some concern in neighbouring countries that political pressure in the United States is dangerously accelerating the running down of both personnel and effort but President Nixon and his Chiefs of Staff are hardly likely to countenance any precipitate moves in negation of the principles involved in the intervention: nor could they for one moment allow it to be thought that all the effort and loss of life had been in vain.

Reference is often made to the problem of the developing countries with particular emphasis on the extent to which their agricultural produce, and hence often their economies, are at the mercy of world prices but for many years now in even the more developed as well as the underdeveloped countries of Asia another problem has been increasing and now coming on top of the population explosion bids to outweigh all others. This is the ever growing trek of the country people to the large cities in the area and many governments are at their wits end to find solutions for the traffic congestion, pollution and squalid living conditions that arise from the overcrowding in the vast conurbations of the countries' capitals. Plans to assist agriculture and stop the denuding of the country-side are seldom effective and even with increased budget allocations for welfare few countries have sufficient resources to arrest let alone eradicate these social evils. Perhaps this should now be the main area for international assistance, be it soft loans or technical aid.

India

At the opening of the year the situation in India was, to say the least, confused as there was complete indecision at the centre and a total lack of leadership while in many States, especially in West Bengal, the outlook was indeed cheerless. The Congress Party had been torn asunder and Mrs Gandhi found herself the head of a minority government whose sole objective was to remain in power with a view to strengthening its position until fresh elections could be held which her party could hope to win. To accomplish this Mrs Gandhi sought the support of minority parties and, as was inevitable, insecurity led to indecision so that the major problems which faced this great sub-continent remained unresolved and the country, to an extent, was allowed to drift without guidance or leadership.

Although the general elections were not due to be held until 1972 it is a measure of the political acumen of the Prime Minister that she accurately assessed the mood of the country by calling an early election in 1971 almost a year before it was due and her judgement was vindicated by her Party obtaining an overwhelming majority in the lower house. By discarding many of the stalwarts in the old Congress Party she portrayed a new image, which was reflected in her own approach to the public and helped the swing in her favour. The second largest party, which hardly constitutes opposition, is the divided communist party and it is interesting to note that of the twenty-five members of the C.P.M., no fewer than twenty were elected from West Bengal. This suggests that the communist party, despite all the vicissitudes through which the country has passed, has not gained in stature since the last election.

With the necessary two-thirds majority the Prime Minister will now have full powers to promote her policies and will have a continuing degree of stability in the administration. However, there will not now be the excuse of a divided government for failing to honour election pledges and the voters will now expect Mrs Gandhi not only to implement her policies but also to show that they are beneficial to the country in order to prove she is worthy of support. The destiny of a vast population estimated to be 570 million persons, depends on democracy in India under her leadership moving forward peacefully and above all with stability. The greatest test is likely to come in the effectiveness of the steps which must be taken to restore law and order. Whatever the basic causes of unrest, political, economic or straightforward discontent at living conditions, no country can hope to make progress until a modicum of discipline is installed into its labour force. For too long the authorities have been sitting on the fence and allowing employers to bear the brunt of violent and other labour disruptions, which threaten the whole structure of the economy. Over the past year or so there has been a divergence of opinion in the thinking of the government in power and that of the country's industrialists on future development as there has been an apparent preference for government to give scope and assistance to a new group of entrepreneurs to the detriment of expansion by the already existing internationally-known business houses. Whether this policy will, in the course of time, bear fruit is a matter for conjecture but at this crucial period in the country's fortunes it may have been wiser for established entrepreneurs to be given more scope to utilise advantageously their expertise and resources. In many ways 1970 was a year of disappointments and while there have been gains in certain sectors there were serious setbacks in others. The most rewarding achievement was in agriculture, where for the fourth year in succession there was an excellent harvest, and it was possibly because of this good fortune and the sufficiency in foodgrains that Mrs Gandhi's party decided to hold the elections at a time when conditions otherwise were far from propitious. At last the government's rather belated official recognition of the importance of agriculture is reaping its reward. Unfortunately any increase in the output of food grains is to some extent nullified by the continued substantial rise in the population figures, and this seems an insoluble problem.

The satisfaction which may have been engendered by the welcome increase in foodgrains must be, to an extent, tempered by a lack of progress by industry, which is still hampered by an inadequate utilisation of capacity. Consumer goods industries probably suffered least from the recession but the position of the manufacturers of intermediate and capital goods, particularly the latter, remains most unsatisfactory and until the resources of these two sectors are better utilised there is little chance of improving the country's overall rate

of growth or of attracting substantial overseas investment.

The nationalisation of the fourteen largest commercial banks caused no undue local concern for, as far as can be ascertained, this move has enabled the government to fulfil its aspirations and policies of diverting funds to the farmers and to small scale industries. What is more in doubt is whether the tenets of prudent banking are being applied in the provision of such finance and there could well be a build up of large, uncovered debts, with considerable embarrassment in the future. It is to be hoped that any cumulative effect will not be too serious for the reputation of any particular bank even though government will assuredly have to bale out any institutions in trouble.

The expansion of credit over the year was larger than expected and it became necessary for the Reserve Bank of India to caution banks on the need for greater credit restraint. Lending restrictions were placed on the banking system through an increase in statutory liquidity requirements and by an increase in the bank rate from five to six per cent, the first increase since 1968.

From the foregoing it would seem that India's problems are entirely internal ones, but externally too India encounters all the difficulties of avowed neutralists without becoming seriously involved, except recently with Pakistan. Feelings ran high after the hi-jacking of an Indian plane but in aligning herself with the plight, if not with the aspirations, of the East Pakistanis in their troubles with the Pakistan government, the Indian government seems to have taken a line, rightly or not, that must delay the return of the peaceful relations so necessary for the prosperity and progress of both countries.

Conclusion to Overseas Survey

Once again in studying the relative progress of countries of South East Asia and the Indian sub-continent over a year, or in this case fifteen months, there is confirmation that irrespective of the type of constitution those countries with the liberal policies are the most successful. Even adverse movements in world commodity prices seem to have less undermining effect than the narrow often nationalistic orientated restrictions which eliminate competition and stultify growth and perhaps the most regretable sign of this at the moment is the increasing popularity of state trading organisations. This type of trading concern formed by the state taking away profitable business from private hands is the socialists' dream and the civil servants' delight and once started, as in India where it was designed to handle the barter trade with communist countries, it spreads with the ambitions of the socialists and bureaucrats in all directions where profit is envied and control is desired for controls' sake. The final outcome is nearly always the same, efficiency decreases, performance becomes erratic and prices rise. In this context it is noteworthy that in those countries with liberal minded statesmen, politically mature and at home on the international scene, there is a realisation that trading is best left to the lifelong experts and that the state reaps its rewards in the more efficient running of its country and from the taxes levied on the profits earned from economic and competitive trading.

Banks are no exception to this general rule and again those experienced Finance Ministers and Governors of central banks who realise the very full part that large and secure banks can play in competition in promoting saving and encouraging industrial expansion and agricultural efficiency are not disappointed, we are sure, at the wholehearted manner in which The Chartered Bank and others, traditionally associated with the area, ally themselves with the aspirations of the countries in which they are operating.

BOOKS BRIEFLY

Industrial Relations in India

An Introduction to Industrial Employment, Discipline and Disputes in India: R.C. Goyal; Sultan Chand & Sons; Pp 170; Price Rs 18.

Tough-Minded Management: J.D. Batten; D.B. Taraporevala Sons & Co. Private Ltd; Bombay; Pp 188; Price Rs 6.

Worker Participation in Management: The Employers' Federation of India, Bombay; 1971; Pp 56; Price Rs 4.

State Finances in India—A Case Study: L S. Porwal; Sultan Chand & Sons, Delhi; 1971; Pp 237; Price Rs 25.

Monetary Equilibrium and Economic Development: V. Krishna Murty; Popular Prakashan, Bombay; 1971; Pp 224; Price Rs 28.

Economics of Cultivation and Marketing of Cotton in Vidarbha: S.V. Khandewale; Suvichar Pakashan Mandal, Nagpur; 1971; Pp 188; Price Rs 10.

Reviewed by ACADEMICUS

In India the individual and collective relationships in industrial employment are largely governed by two principal laws, namely, the Industrial Employment Act of 1946 and the Industrial Disputes Act of 1947. These two laws broadly regulate the field of employer-employee relationships in India.

Since 1947 a huge body of industrial jurisprudence has grown up consisting of a large number of decisions of industrial tribunals, high courts and the Supreme Court. These are scattered in a large number of journals and it is difficult for practising managers to go through this vast literature. In his book *An Introduction to Industrial Employment, Discipline and Disputes in India*, Prof Goyal has made an attempt to explain some of the important provisions of the two principal acts affecting industrial relations, together with citations of case-law mostly pertaining to the decisions of the Supreme Court on important points.

It is a well-known fact that the working of the industrial relations machinery in India has not been very satisfactory. As a fact within a dacade of the passage of the Industrial Disputes Act, a lot of rethinking was done by the government and others. The result has been a shift from "Courts to Codes", from compulsory reference of industrial disputes to courts to voluntary settlement and arbitration. This came to be embodied in the Code of Discipline adopted by the Indian Labour Conference in 1957. Since that year statutory laws as well as voluntary codes designed to ensure industrial peace in the country have been allowed to operate simultaneously.

It has been the experience of the last two decades that none of the parties to industrial disputes has been happy with the legal framework or with the working of the voluntary codes of discipline. As a result of demands made by the major trade union federations and employers' associations, the Government of India appointed the National Commission on Labour in 1965 to go into the entire question of industrial relations machinery. The Commission appointed a number of study groups to go into various aspects of industrial relations and it is instructive to know some of the conclusions at which these study groups have arrived.

The system of industrial relations developed after independence has two main objectives: (*a*) Avoidance of industrial disputes and work-stoppages and the creation of machinery for amicable and expeditious settlement of disputes and (*b*) development of formal relations through the adoption of industrial framework for joint consultation, redress of grievances, collective bargaining, etc., and procedural and institutional framework, both statutory and voluntary. The study group has come to the conclusion that the legal framework in India has not been satisfactory. It has also been acknowledged that the works committees have generally failed and that the majority of them exist only in name. As regards conciliation, recent trends indicate the unfortunate progressive decline in the number of settlements arrived at through the conciliation machinery. There is a growing use of legal and technical experts to prepare and argue cases which means that the parties are clearly becoming more and more litigation-minded. The system of adjudication has had perhaps the greatest impact on the regulation of wage-rates, allowances, bonus, working conditions, leave and social security. This system has however been very severely criticised for its unfavourable effects on trade union movement, development of attitudes and dependence on compulsory adjudication by both the parties and long delays involved in the final settlement of industrial disputes.

The Royal Commission on Labour in India was appointed in 1930 and its report was published in 1931. It is after a lapse of more than three decades that another commission on labour has been appointed. The report of this National Labour Commission was published in September 1969 and the author has done well to give in an appendix the sum. mary of its main recommendations. The author however rightly refrained from commenting on these findings and recommendations as it is to be seen whether and to what extent the government accepts these recommendations.

Though the author has not come out with any positive proposals, Prof Goyal's analysis of the various problems and aspects of industrial relations in India is very instructive and there is no doubt that this compilation will be found useful by all those who are concerned with the handling of the problems of employer-employee relationship.

TOUGH-MINDED MANAGER

If we scan the industrial world of recent years, what we notice according to J.D. Batten is that "...there are far more big jobs than there are big men." To meet this challenge the author asserts that today's manager must be tough-minded The executive with flabby mental and physical equipment simply cannot meet the national and international challenges of the business world of today and tomorrow.

But who is a tough-minded manager? What are his qualifications, requirements and equipment? The author of *Tough-Minded Management* has given these details under various headings.

As an individual the tough-minded manager must know himself and be happy with what he is, while at the same time building a healthy, calculated dissatisfaction with the status quo The man must take a periodic inventory of himself in terms of what he stands for, what he believes, what he can accomplish, what his strengths and weaknesses are and what he puts into life. The tough-minded manager must practise self-discipline in terms of legal and ethical rules of conduct. He must maintain maximum physical fitness. He enjoys life, for the dour, scowling formidable executive accomplishes little by his behaviour. His interests and ac-

tivities generally range widely. He has a personal faith; but he is at the same time tolerant of the view of others. He is never negative in his approach. As an individual, the tough-minded manager, according to Batten, "is satisfied with nothing less than full success as a whole man."

What about the tough-minded manager as a member of society? According to the author, such a person "lives integrity instead of relying on preachments." His emphasis is on results. He practises condour and reflects a true warmth of feeling towards his associates. He has guts to say what ought to be said. He above all believes that "management by integrity can be rallying point for true social, political, and economic progress."

And what about the tough-minded manager as a manager? According to the author such a manager takes steps to insure that the company's philosophy and objectives are researched, developed and clearly stated. He ensures that all employees know the what, where, when, who, how and above all why of their jobs. He knows that people are more efficient and happy when they understand clearly what results are expected of them. He believes and lives the concept that "the development of people, as a whole and in depth, pays real dividend to both the business and the individual." He makes certain that the statement "Management is the development of people, not the direction of things" is put into operation and just not paid lip-service. He realises that pressures in the environment and within the person are caused almost completely by negativism, pessimism and ungrounded fears. Accordingly he makes sure that his own beliefs, energy and positiveness flow out steadily in all directions in the business. And above all the tough-minded manager, according to the author, is not deterred by small men. He know what he wants and what the company needs, secures maximum participation from his key-men and moves ahead relentlessly towards the actual practice of management by integrity.

Practical Aspects

This book which deals not so much with the theoretical aspects of management as practical, makes interesting reading. But the Indian readers will have to bear in mind that the environment which the author has in view is the American environment where attempts are always being made by all to give maximum opporunities for personal initiative and private enterprise. In India with government's unhelpful if not positively hostile attitude and with contini al shifts in policy and changes in laws and procedures, it will not be surprising if even the tough-minded manager of Mr Batten gives up the fight even before it has begun.

Any way even the Indian operating executives will find here (though within limits) a challenging and workable management philosophy as also realistic guidelines to such specific problems of management as communication, motivation, personal appraisal, work-planning and self-development.

WHY PARTICIPATION?

The problem of inducing among workers a sense of belonging to the establishment where they work is common to all modern industrial countries. This problem is tackled in different ways in different countries according to the socio-economic context of the country and the institutional arrangements that could be devised for the purpose. In India an attempt was made by a statutory provision in the Industrial Disputes Act of 1947 to set up works committees in industrial establishments employing 100 or more workers. *Worker Participation In Management* is an excellent monograph which makes an attempt to present some of the facts regarding worker participation in management and the forms it has taken in India and abroad and indicates the prerequisites for its successful working.

Reviewing the situation in the field of worker participation in some of the foreign countries, the monograph notes that formal schemes of worker participation were evolved in West Germany and France as a reaction to the pressures built up during the Second World War. Ideological considerations were predominant in the introduction of participation schemes in Yugoslavia and Israel. In the UK and USA formal schemes have not made headway and collective bargaining is becoming increasingly important as the chief means to promote worker participation in management. It is generally admitted that the works committees have not been very successful in the UK while in the USA formal joint bodies of workers and management representatives have never b cn pe pular.

As regards different forms of worker participation in management, the schemes in West Germany, France, the UK, and Poland may be described as conforming to the "joint consultation model" of participation in which the management takes the final decision but allows workers' representatives to express their views. On the other hand joint management plan in Israel approximates to the "joint decision-making model" in which workers' and management representatives sit together and take decisions jointly though the workers' representatives may be in a minority. Yugoslavia provides the only example of the "workers' control model" and the USA the only example of the "collective bargaining model".

It is however worth noting that in none of the seven countries reviewed in this monograph worker participation schemes appear to have achieved the objectives originally aimed at. It is also worth noting that while the experience of the formal schemes of participation has thus been tinged with disappointment, participation through collective bargaining schemes appear to have been somewhat more successful.

The study has rightly emphasised the need for conceptual clarity in this field of worker participation in management. For example, who is a worker? As for participation in decision-making it is conceivable that workers might be able to share with management in some agreed manner the authority to make decisions. Once such participation is accepted, it is necessary to clarify whether it should extend to all decisions concerning the undertaking or be confined to only those decisions which have a direct bearing on the working and living conditions of workers. Further, at what level of decision-making are the workers to participate? The shop-floor or departmental level or the highest management level? Clarity in this regard is necessary because the level of participation will influence the manner of participation. This further highlights the need to examine and specify clearly the relationship between the existing institutions and the new ones that may be created under any scheme of worker participation. The new bodies like joint committees and works committees must naturally bear an integral and specific relation to the already operating trade unions and collective bargaining machinery.

Basic Question

The monograph points out that the basic question "Why participation?" must be answered satisfactorily. This is because the answer would determine the compatibility of the objectives and the means adopted for achieving them. If, for instance, the intention is that participation should remove workers' sense of subordination and helplessness, promote among them a feeling of partnership and encourage them to identify themelves with the goals of their undertaking, it is obvious that most of this can be achieved only by associating workers with the decisions which are of immediate concern to them. On the other hand, formal representation on the managing board may become necessary, if the objective is

political, such as redefining property rights, etc.

After reading this monograph one feels convinced that worker participation in management can never be a reality unless all these related matters are clearly defined and understood and an agreed course of action is formulated. In the absence of such clear conception, the schemes of worker participation in management would remain something that is incapable of effective implementation. There is no doubt that this brief factual and analytical summary of the issues involved in worker participation will lead to a more detailed and systematic discussion of the subject among the parties concerned.

STATE FINANCES

No study of the finances of the state of Rajasthan has been made so far since its formation nearly two decades ago. Prof. Porwal has made an attempt in this study to analyse the finances of that state. Since the state budget can be an effective tool in promoting the ends of economic growth and social justice, the study of state finances and the knowledge about the direction in which they are moving and should in fact move becomes significant and necessary.

We notice from *State Finances in India—A Case Study* that on the whole the conditions in Rajasthan could be regarded as rather primitive and backward on the eve of independence. As a result of the merger of the princely states in 1949 and the Federal Financial Integration Agreement, a stage was set for removing the regional imbalances in the constituent units. Further, the state was also put on a par with other states in matters of financial assistance from the centre.

We notice from this study that as in most other states, in Rajasthan also deficit on revenue account has become a chronic feature during the last decade. Also the system of taxation has tended to become regressive in recent years. The state has come to depend increasingly on financial assistance from the centre for implementing its socio-economic developmental programmes envisaged in the five-year plans.

Though land revenue no longer holds the dominant position, it definitely has great potential for increasing revenue. The position in regard to arrears of land revenue and sales tax is very unsatisfactory and the administrative efficiency of the departments is at a low ebb. It is found that the traditional methods, procedures and organisation of the government departments is unsuited to the needs of a developing state. According to the author, the most marked deficiency is the shortage of men of integrity devoted to the cause of the people.

The analysis of the non-tax revenue shows that the state enterprises and other commercial and quasi-commercial undertakings have nothing else but to tell a tale of irregularities and lapses involving the state in huge losses, let alone making profits. This means that the state has substantial potentialities of increasing its resources, provided it has a clean and efficient administration.

The increase in revenue expenditure has been almost in geometrical progression during the Plan period with accent on development expenditure. But the author feels that agriculture and animal husbandry have not been given the pride of place which they deserve. Also, co-operation and community development appear to have progressed more on paper than in real terms. The state expenditure on industries is not even one per cent of its total yearly revenue expenditure. The irrigation and power projects lack realism. Roads are not built to the extent necessary. On the other hand non-development expenditure, especially on police, is continually on the increase. The study of cases brought out by the audit unfold innumerable instances of wasteful expenditure, losses, misappropriation, neglect of duty, breach of trust, nepotism, favouritism and a variety of other failures.

The study of capital outlay, four-fifths of which have been on development-al schemes, also reveals lack of intelligent planning and half-hearted execution of projects, resulting in considerable idle investment of government funds.

Dependance on Centre

In the sphere of public borrowings, Rajasthan has increasingly depended on loans from the centre and the increasing burden of debt-servicing has become a cause for concern. The borrowed money is sunk in projects which are at present not in a position to pay off even interest charges. The state government seems to be living beyond its means as is evident from its increasing resort to overdratfs on the Reserve Bank of India.

A critical examination of the financial administration and legislative control over state finances shows many gaps and the general impression one gets is that financial discipline has greatly deteriorated during recent years.

The author has made a number of constructive suggestions which merit consideration. He wants that the emphasis be shifted from indirect to direct taxes to the extent possible. He has argued that the system of land revenue needs complete overhauling to make it progressive. His suggestion is that the state should impose betterment levy and there is scope for enhancing water rates for irrigation. There is also the suggestion that the state should launch a special campaign to realise arrears of land revenue, water rates and other dues and that interest at 9 per cent be imposed on arrears outstanding beyond due dates. There is a suggestion that the state's share in the divisible pool of taxes and duties be increased and the state's share be fixed on consideration of the regional imbalances.

The author has also made a few suggestion for ensuring the optimal use of the scarce resources collected from the people and improving the tone and quality of the financial administration of the state of Rajasthan.

In a sense there is nothing new in this analysis of the finances of the state of Rajasthan and the same features characterise the finances of all the other states in India, to a lesser or greater extent. And yet such micro-studies are of great significance as only such detailed study can enable the administration to note the important loopholes and deficiencies and evolve and execute proper policies for improving the finances of the state, provided the administration is honest enough to pursue the goals that will lead to the increasing welfare of the people of the state.

MONETARY EQUILIBRIUM

In *Monetary Equilibrium And Economic Development*, V. Krishna Murty has made an attempt to find an answer to the question whether in the present century liberal economic programme can be adequate to meet the needs of the developing countries. In view of the fierce preference shown by most of the developing countries for socialism and planned economic development which implies increasing state intervention and regulation, this study should attract the attention of the people concerned.

Explaining the implications of liberal economic programme, the author has emphasised that there is no 'the' liberal programme. As a fact there are several variants of it and the common ground on which all of them meet is the opposition to the state intervention. But among the liberals extreme stand is taken by only a few and majority of them have reconciled themselves to a certain amount of state intervention and as a matter of fact some of the liberals actually seek it in certain cases.

The standard by which these liberals judge whether a particular act of the government is desirable or not is whether that act helps or hinders the working of the price mechanism. If

such an act of the government helps its smooth functioning, they support it; otherwise they oppose it. For example, liberals in the USA support trustbusting as monopolies hinder smooth working of the market-economy. Also, they argue against private credit creation as they think that it hinders monetary stability. According to the author, contrary to the general opinion, liberals are not against equality of income and wealth. Henry Simons, the foremost among the liberals in the 20th century, has argued for the use of progressive income taxation to reduce inequalities. Liberals feel that this measure would create favourable atmosphere for the working of the private economy. According to the majority of modern liberals there is no controversy between the public and private sectors as investment in the public sector would provide suitable climate for the working of the private sector. In underdeveloped countries there are many barriers to economic development and it is only the state that can remove them. This position is accepted by the majority of liberals. Also it is not the physical investment which is the most important part of the problem. Economic development is largely due to non-economic factors—social, political and cultural. It is these factors which determine the attitude of the people which is a crucial factor in economic development. According to the modern liberals the government should, at least in the initial stage, take measures for the formation of favourable social attitudes.

Promoting Technology

According to Krishna Murty technological progress requires a certain price rise, as otherwise investment in new fields will not be undertaken. Stagnation may be the result of price stability. The author feels that the government can manipulate this gradual price rise to promote technological progress and economic advancement. Also, so long as inflation is within manageable limits, one should not bother much about it. To keep the forces of inflation within bounds, the government will have to act on a broad front through monetary and fiscal measures. In this field, it is not possible to work according to 'rule' (the stand taken in the monetary field by the old liberals) but some 'discretion' will have to be allowed to the government. There is no guarantee that if Milton Friedman's stable budget plan is adopted, there will be monetary equilibrium. Even his later version of the monetary rule that money supply should increase steadily year after year may not be adequate.

Thus the whole tenor of the author's argument leads to the conclusion that the state should play an important role in bringing economic development in underdeveloped countries. The liberal doctrine, in so far as it restricts the role of the state, will harm the cause of economic development. But the liberals need not go all the way to wholesale nationalisation. There is the middle way which the Keynesian teachings highlight and the author rightly feels that the modern liberal shall have to find anchorage in the Keynesian teaching, if libearalism is to survive as a faith in the modern world.

Economic development will be possible only if we are prepared for the state of disequilibrium. The argument from the side of monetary equilibrium is that this disequilibrium must be rendered tolerable. It is for rendering this disequilibrium situation tolerable that the state assumes importance and the modern liberal has to reconcile himself with this position.

V. Krishna Murty has argued this case well and succinctly and one is convinced that liberalism of the 18th century will have to alter its content and attitude, if it is to survive as a living faith and play a constructive role, especially in developing countries. The book is extremely readable and thoughtprovoking.

COTTON CULTIVATION

The importance of cotton in a predominantly agricultural economy of Vidarbha is quite obvious. This region has about 57 per cent of the total acreage under cotton in Maharashtra and produces about 50 per cent of the total output of cotton in the whole state. And yet detailed studies of the cotton industry involving the interrelated processes of cultivation, marketing, ginning and pressing have been undertaken only by a few. A detailed and critical study of this important subject was long overdue and Dr S. V. Khandewale is to be congratulated on undertaking it.

Economics of Cultivation and Marketing of Cotton in Vidarbha has revealed some very interesting facts. In the cultivation of cotton, the analysis of the cost of production shows that in the total cost, human and animal labour accounted for about 66 per cent of the cost, while seeds, manure and insecticides, etc., formed only about 11 per cent of the total costs. Other expenses claimed a share of 23 per cent. The average gross income per acre was about Rs 129.20 and the average cost was about Rs 114.32, leaving a net return of only about Rs 14.88 per acre.

So long as cotton was exported to foreign countries, the marketing of cotton from Vidarbha was done through the central channel of the Bombay market. During the Plan period the exports were stopped and therefore the internal channels of marketing have become decentralised. Changes in transport facilities, differences in marketing policies and change in varieties of cotton grown during the last few decades have led to the shrinkage of some old markets, development of some new ones, while some markets have tended to remain at the same old level.

Dependence on Middlemen

The study reveals that in respect of marketing of raw cotton, 80 per cent of the farmers sold their produce in assembling markets. Lack of facilities for transport and storage and lack of knowledge of the product and of its markets compelled them to sell the produce without any delay. This means they were highly dependent on middlemen for sale of their product. The different methods of rate-fixing in Vidarbha were more favourable to buyers of cotton than to the producers. The author is of the opinion that co-operative marketing societies have not played any significant role and therefore the dominance of the middlemen in this sphere goes unabated to this day.

The marketing of processed cotton (bales) was dominated for long by the up-country and terminal market traders. Recently however the farmers' co-operatives have entered the field. The mill-buyers are trying to establish their own monopoly organisations and the central government is also establishing its agency for trading in cotton to stabilise cotton prices. The author is of the opinion that the haphazard manner of control of cloth prices and many other restrictions have resulted in benefits of cotton prices going to traders rather than to the producers of cotton.

As regards processing of cotton, the study reveals that at present Vidarbha claims about 19 per cent of the total number of processing factories in the country. But the machinery and other equipment used in these factories is about 70 to 100 years old and modernisation has been completely neglected all these years. The industry is highly labour-intensive and its seasonal nature creates the problem of unemployment of machinery and labour in the off-season.

The study of ginning and pressing costs has shown that in ginning, labour and fuel and in pressing, labour and packing materials claim the largest shares in total costs.

On the basis of his survey the author has made some constructive suggestions

for improving the situation which has remained extremely unsatisfactory for long.

As regards the process of cultivation of cotton, the author is of the opinion that a certain amount of mechanisation will have to be introduced if the net return per acre is to go up. He also pleads for intensive studies of soil in Vidarbha so that its potentialities can be known before one thinks of fully exploiting it. Only on the basis of such detailed soil studies can agricultural planning be meaningful. The author pleads therefore for the establishment of a special research laboratory in Vidarbha for the purpose of conducting experiments on various aspects of cotton cultivation, as also in the industrial uses of cotton plants and its various by-products. Similarly utilisation of the potentialities of minor irrigation works deserves special care.

The author has also made some useful suggestions regarding the organisation of marketing societies to improve their efficiency. As regards ginning and pressing, he feels that there is great scope for the reduction of costs by introducing various mechanical processes.

Dr Khandewale has taken great pains to compile the material and critically analyse the collected data. If crop-planning and agricultural reorganisation in the country is really to succeed, such crop and regional studies are absolutely essential. Without the firm foundation of the type provided by Dr Khandewale in this book, agricultural planning on the national or even regional level will just be a leap in the dark.

Banking Concepts in Perspective

Theory and Practice of Banking: H. L. Bedi, G.S. Ayyar, A. P. Shenoy, H. P. Shenoy and N.V. Subramanian; published by the authors at Shri Sadan, Narayan Dabholkar Road, Bombay-6; Pp. 351; Price Rs 15.

Reviewed by B. GANAPATHY SARMA

The banking industry at present is passing through a period of sweeping changes and rapid developments. The old concepts, aims and objectives of banking are undergoing sea change and the banks are now being called upon to play a distinctive and significant role in the socio-economic transformation of the country. Moving with times the banks are evolving new strategies for financing credit-starved and credit-hungry segments of the economy and the community. The banks are also going ahead full steam in widening and deepening their network of branches especially in semi-urban and rural areas and in unbanked and underbanked regions. The current rate of branch expansion of public sector banks, for instance, is running nearly at 160 new offices per month as against a mere monthly average of 38 offices during the three pre-nationalisation years ended December 1968 — a record which is altogether without parallel in the banking history of the country. More ambitious branch expansion programmes are being drawn up and are in the process of implementation. But the current over-rapid branch expansion can be maintained and sustained without risk to the banking system if and only if adequate arrangements are made for training of banking personnel. Further, mere setting up of targets cannot bring forth desired results as targets are means for pulling a system out of a rut and giving it a push but thereafter performance will be judged by providing basic training to the vast multitude of banking personnel so that they may be able to handle efficiently the service to customers.

The book *Theory and Practice of Banking* in this context is a welcome addition to the current literature on banking. Although there are quite a number of books on the subject, there is hardly any comprehensive book written by a team of professionals which will suit the requirements of the banking personnel, especially at the junior level. Keeping this in view the authors of the above book, who have long, rich and varied experience in the field of banking, have dealt with all banking topics, including the latest concepts on banking, in a language which is completely free from technical jargon. The narrative is unique — concise, precise and simple. Perhaps one of the outstanding merits of this valuable publication is its unusual simplicity of style so much so that even complex and complicated subjects could be understood and easily mastered by intelligent persons.

The treatise has been broadly divided into five parts on the basis of functions performed by banks. They are deposits, advances, foreign exchange, bills and remittances and miscellaneous services. As banks, particularly after the post-nationaliation period, are pumping more and more money into priority sectors and other neglected areas of the economy, adequate emphasis and elaborate coverage have been given to topics such as 'Farm Finance', 'Finance of Small Scale Industries' and 'Small Borrowers'. As 'Foreign Exchange' has gained special importance, this subject has also been dealt with separately in the book. On the whole, there is hardly a banking topic or concept which has not been touched or discussed in this tidy publication.

In brief this handy compendium giving comprehensive and up-to-date information on all aspects of banking will doubtless prove as a guide and invaluable book of reference to banking personnel in particular and aspiring banking students in general.

Books Received

Consumer Preference Survey for Textiles in Uttar Pradesh: Published by the Market Research Division, Textiles Committee (Ministry of Foreign Trade, Government of India), 79, Dr Annie Besant Road, Worli, Bombay-18; Pp 238; Price Rs 10.

Regional Planning: Jos G.M. Hilhorst; Rotterdam University Press, P.O. Box 1474, Rotterdam-2, Netherlands; Pp 151.

The Soviet Quest for Economic Rationality (The Conflict of Economic and Political Aims in the Soviet Economy 1953-68): Willem Keizer; Rotterdam University Press; Pp 267.

Small Industry Exports (A Study into Promotional Techniques): O.P. Jain; S. Chand & Co. (Pvt) Ltd, Ram Nagar, New Delhi-55; Pp 342; Price Rs 35.

Indian Political Thinking in the Twentieth Century from Naoroji to Nehru: A. Appadorai; Oxford University Press; Pp 189; Price Rs 10.

Some Aspects of Co-operative Housing Societies in Ahmedabad City: Mahesh Bhatt and V.K. Chawda; Gujarat University; Pp 68; Price Rs 2.50.

Some Aspects of the Finances of the Gujarat Government: Mahesh Bhatt and C.H. Thaker; Gujarat University; Pp 17; Price Rs 0.75.

From Istanbul to Vienna: Speeches and Addresses delivered in India and abroad by Bharat Ram; Indian National Committee of the International Chamber of Commerce, Federation House, New Delhi-1; Pp 246; Price Rs 25.

Marketing of Cash Crops Efficiency of Futures Trading: M. G. Pavaskar; Published by *Economic and Political Weekly*, Skylark, 284 Frere Road, Bombay-1; Pp 137; Price Rs 15.

The Art of the Possible (Diplomatic Alternatives in the Middle East): Michael Reisman; Princeton University Press, Princeton, New Jersey, USA; Pp 161; Price $ 1.95.

(*i*) *The Philippines (Industrialisation and Trade Policies)*: John H. Power and Gerardo P. Sicat; Pp 1-134. (*ii*) *Taiwan (Industrialisation and Trade Policies)*: Mo-Huan Hsing; Pp 135-324; Published for the Development Centre of the OECD by Oxford University Press; Price £ 2.25 (45s.) net in UK.

Monetary Equilibrium and Economic Development: V. Krishna Murty; Popular Prakashan; Pp 224; Price Rs 28.

RECORDS AND STATISTICS

Trade Policy for Self-reliant Economy

AT A recent meeting with economic editors of the country, Mr L.N. Mishra, Minister of Foreign Trade, stated that the export performance of this country was expected to be better in the current year because of the changed situation in the international markets. It was conceded that India's exports to the United Kingdom would be reduced if and when that country entered the Common Market but the export possibilities of non-traditional goods had improved because of a number of factors including the changes recently introduced in the trade policy of the country. A review of India's exports in 1970-71 was distributed at this meeting which is reprinted in full below:

There is now a general agreement in the country that a sustained increase in our exports must form an integral part of our national development effort. Without a progressive increase in exports, the country's dream of self-sustained growth, dispensing with inflows of external capital on concessional terms as early as possible, can never become a living reality. Even otherwise, given the very considerable uncertainty surrounding the future inflows of foreign aid, an increasing level of exports can help to sustain a high level of economic activity in face of inadequate aid flows. A systematic exploitation of export markets can be an important means of making a fuller use of the many economies of large scale which characterise modern industry. At the same time, the growth of labour intensive export products can make a significant productive contribution to the mitigation of the very serious unemployment problem now facing the country. Thus a rapidly increasing level of exports enhances the degree of manoeuvrability available to the economy in reconciling its various social and economic objectives.

The fourth five year Plan envisages the growth of exports at an average annual rate of seven per cent per annum. In order to achieve this target, we have to defend and improve upon our existing share of traditional exports. However, there is no denying the fact that the outlook for exports will be greatly influenced by our ability to step up exports of non-traditional items, consisting largely of products of our growing industrial sector The exports of non-traditional products have to increase at an average annual rate of 15 to 20 per cent if the Plan target for overall growth of exports is to be realized.

Review of Exports in 1970-71

India's exports increased by 4.1 per cent in 1969-70 which happened to be the first year of the fourth five-year Plan. During 1970-71, exports increased by 8 3 per cent. As result of highly successful export effort in 1970-71, the country's trade deficit declined from Rs 169.5 crores in 1969-70 to Rs 97.6 crores in 1970-71, which happens to be the lowest level for the past 15 years (*see* Table I).

The details of commodity-composition of India's exports during 1970-71 are still not available. However, data for the period April-December, 1970, indicate that export earnings of a large number of commodities increased. These commodities included: iron ore, tea, engineering goods, oil cakes, iron and steel, chemicals and allied products (*see* Table II). Rapid growth of overall exports in 1970-71 was possible despite none too favouable performance of some of our major traditional exports such as jute manufactures and leather and leather manufactures. The highly commendable performance of our non-traditional exports in recent years is a testimony to our growing ability to expand our exports in a fierce competitive international environment. No doubt, our exports in 1970-71 were helped by some favourable international developments which led to an increase in value of exports of commodities like iron and steel despite a fall in quantity exported. However, it can hardly be denied that the growth of exports was greatly facilitated by a large number of promotional measures that have been adopted by the Government of India in the last few years. At one time it was widely believed that the growth of India's exports of engineering products after the devaluation of 1966, was a temporary phenomenon which would cease to operate once the idle capacity which had appeared in the course of industrial recession of 1967-68 was fully utilised. It is true that the existence of idle capacity increased the business firms' interest in seeking export markets but it is also a fact that this interest has been sustained even after the revival of domestic demand since 1968-69. Many exporters have realised the importance of exports as an alternative outlet for production, developed at considerable initial costs and efforts which they cannot afford to lose. Government policies in recent years have helped to sustain our producers' interest in the export markets. Indeed, but for the unexpected shortages of some critical inputs such as iron and steel, the progress would have been still more rapid.

Export Target for 1971-72

The extremely satisfactory export performance in 1970-71 has encouraged us to set a more ambitious targets for growth of exports in 1971-72. We expect that exports in 1971-72 will increase by 9.1 per cent — from Rs 1530 6 crores in 1970-71 to Rs 1670 crores in 1971-72. There is no doubt some uncertainty regarding exports of our traditional products. For example, the decision of the United Kingdom to levy an import duty of 15 per cent on textiles imported into that country from Commonwealth developing countries will no doubt adversely affect our exports of cotton textiles to United Kingdom. The continued shortage of some critical inputs like iron and steel is also a source of some anxiety. Yet there is every reason to hope that notwithstanding these uncertainties, the

TABLE I

INDIA'S BALANCE OF TRADE ON MERCHANDISE ACCOUNT

(Value in Rs crores)

Years	Imports	Exports incl. re-exports	Balance of trade
1966-67	2078.4	1156.6	−921.8
1967-68	2007.6	1198.7	−808.9
1968-69	1908.6	1357.9	−550.7
1969-70	1582.7	1413.2	−169.5
1970-71	1628.1	1530.6	−97.6
1971-72 (target)	—	1670.0	

Source: DGCI&S, Calcutta for actual figures upto 1970-71 and Min. of Foreign Trade for export target for 1971-72.

export target for 1971-72 can be met. It is expected that a large number of items, both traditional and non-traditional, will contribute to the growth of exports in 1971-72. Government shall continue to adopt active measures to encourage the growth of export production and to enhance the quality and competitiveness of our exports in international markets. The broad outline of the type of policies the government intends to pursue in support of the country's export effort is given in the Export Policy Resolution laid before Parliament in July, 1970. Some of the important policies of the government are described in the following paragraphs.

Export-oriented Industrial Licensing Policy

In respect of export-oriented units, applications for industrial licences and other clearances will be accorded the highest priority by the government. In considering and dealing with applications for industrial licences regard will be had to the creation of capacities in such manner that adequate export supplies are generated. Export potential of undertakings belonging to the small and middle sector entrepreneurs will be developed to the maximum possible extent. Special attention will be paid to the development of export production of small-scale sector units in respect of items specifically reserved for them.

Under the licensing policy for export-oriented industries, undertakings belonging to or controlled by the larger industrial houses and foreign concerns which are expected, according to the new licensing policy, to participate mainly to the core and heavy investment sectors, would be able to establish undertakings, or expand production in areas other than these sectors provided they undertake specific export commitments. The minimum export obligation in such cases will be 60 per cent or more of the new or additional production. Even in the fields reserved for the small-scale sector, in the interest of stepping up exports, units other than small-scale units can be considered for expansion or creation of new capacities if they undertake an export obligation of a minimum of 75 per cent of the new or additional production. It will, however, be ensured that the production allowed for indigenous sales is not so large as to swamp the small-scale units.

Role of Public Sector Agencies in Promoting Exports

Public sector agencies will be enabled to play an expanding role in developing exports and building up the export capabilities of manufacturers and ex-

TABLE II

INDIA'S EXPORTS OF PRINCIPAL COMMODITIES

Items	April-December		Rs crores *
	1970	1969	Rise (+) or fall (—) in April-Dec. 1970 over April-Dec 1969
Increased Items			
Iron Ore	86 14	62 03	+24 11
Tea	120.15	97 51	+22.64
Engineering goods	82.17	63 31	+18.86
(i) Machinery	32 49	26 71	+5.78
(ii) Transport equipment	21.73	11.59	+10.14
(iii) Metal manufactures	26 10	23.48	+2.62
Oil cakes	40 80	28 50	+12.30
Iron and steel	62 11	51.95	+10.16
Sugar	17.70	8 58	+9 12
Chemical and allied products	21 52	15 54	+5.98
Spices	24 56	19 93	+4.63
Coffee	21 62	17.99	+3 63
Mineral fuels and lubricants and related materials	10.94	7 83	+3.11
Cotton piecegood (mill-made)	48.67	46 04	+2 63
Manganese ore	10 54	8 09	+2.45
Other cotton manufactures	12.27	9.98	+2 29
Cotton apparel	5.97	3 72	+2 25
Rubber manufacture	5.41	3 46	+1.95
Ferro-manganese & ferro alloy	8.65	6 77	+1.88
Meat & meat preparations	2 64	0 83	+1.81
Raw jute	2.76	1.26	+1.50
Vegetable oils (non-essential)	4.35	3 16	+1.19
Fabrics of art silk and synthetic fibre, Spunglass	3 68	2 61	+1.07
Gums, resins and lac	7 27	6 21	+1 06
Mica	12.27	11 41	+0.86
Paper and paper board	4 35	3 93	+0 42
Coir yarn & manufactures	10 26	9 94	+0.32
Cotton raw	10 59	10 42	+0.17
Fish	23.85	23.79	+0.06
Decreased Items			
Jute manufactures	136 10	158 38	—22 28
Leather and leather manufactures	60.70	68.38	—7 68
Hides and skins raw	3.55	6 88	—3.33
Pearls, precious & semi-precious stones	31.34	33.94	—2 60
Cotton yarn	18.00	20 24	—2.24
Groundnuts	2.66	4 83	—2.17
Cashew kernels	42.31	43 91	—1.60
Tobacco manufactures	26.14	27.26	—1.12

Source: D.G.C.I. &S., Calcutta.

porters. Exports of certain commodities will be canalised only through public sector agencies so as to maximise our export receipts from them. STC and MMTC will play an expanding developmental role in supplementing the export effort by acting as a path finder and a catalyst. They will, in particular, render support to small exporters by affording them a combined selling strength on the one hand and a service on the other, both in India and abroad. These agencies will also provide assistance by way of finance, marketing, and quality control. The Projects and Equipment Corporation will in co-operation with manufacturers of heavy equipment and machinery, organise for international tenders, long-term strategies entailing planning of raw material requirements, finance and marketing services. Its emphasis will be on projects which are either new or slow moving.

Priority Treatment of Export-oriented Units

Industrial units engaged in priority industries are accorded preferential treatment if they export 10 per cent or more of their production. Such preferential treatment includes facilities for further expansion of the export production and imporovement of installed capacity and for the import of raw materials and components from the preferred sources of supply. The extent of the preferential treatment will vary with the export performance of the industrial units. Industrial units exporting 25 per cent or more of their production will be eligible to import a higher quantum of their requirements against free foreign exchange. In the case of industries other than those in the priority list, units exporting 10 per cent or more of their production will be treated as if they belong to the list of priority industries.

Facilities for becoming Export-oriented Units

The present export effort in industrial field is confined to a few of many organised units. The government is desirous of assisting all competent concerns to expand and become more efficient in exporting over a period of time. A scheme, has therefore been evolved to assist industrial units desiring to enter the export field and build up their export potential with a view to becoming eligible for the special treatment accorded to export oriented units. Such units will be encouraged to put forward phased programmes of export of their products as to achieve within a short period of time a level of exports equal to those of existing export-oriented units. Such phased programmes if approved by government will qualify applicants for any or all of the facilities granted to export-oriented units.

Liberal Import Policy for Exports

Import policy is designed to facilitate the growth of export production and to enhance the quality and competitiveness of our exports. Exporters can obtain imported raw materials and equipment required for export production under the Import Policy for Registered Exporters. Import replenishments accruing against exports under this policy can also be used by manufactureres for the import of machinery required for replacement, balancing or modernisation or research and development, for an amount not exceeding 50 per cent of the value of licence or Rs 2 lakhs, whichever is less, provided that this facility is not availed of more than twice in any financial year. The facilities of advance licences, 'imprest' import licences and 'on account' licences have been introduced so as to ensure continuous supply of raw materials and components for export production. Applicants for import of capital goods, equipment, dies, jigs and tools required by exporting units for expansion, modernisation, diversification of production facilities as well as for research and development with a view to developing their export potential will be accorded high priority. A special allocation of foreign exchange in the foreign exchange budget has been made to that end. It has been decided that exports made in discharge of export obligations (against import of capital goods) will be eligible for the grant of import replenishment licences.

In order to accord greater stability necessary for the growth of exports, a scheme has been introduced for the registration of export contracts involving deliveries over a period of not less than six months. In respect of exports made in the execution of such registered contracts, the exporters will be eligible for the same levels of support in respect of import replenishment and other benefits under the import policy for registered exporters as were permissible on the date of such contracts with overseas buyers. A higher import replenishment may be allowed to an exporter to accommodate essential raw materials or components required to be imported on the ground that the quality or quantum of the indigenous substitute is not adequate, or its price is too high to maintain the competitive strength of the export product.

Foreign Collaboration in Export-oriented Production

Foreign collaboration will be more freely permitted in the case of primarily export-oriented units. The existing collaboration agreements providing for restraints on exports will be suitably revised when due for renewal. The policy of not allowing foreign collaboration in trading activities may also be relaxed provided such collaboration is intended exclusively for exports. Foreign collaboration may also be considered in low priority sectors if the collaboration agreement provides for the greater part of production to be exported.

Priority in Supply of Indigenous Materials

Exporting units will be granted priority in the matter of supply of indigenous raw materials for export production. There is also a scheme for the supply of certain plastic raw materials and other materials at international prices by indigenous producers, for export production.

Compulsory Export Obligations for Certain Units in Priority Sector

Industrial units engaged in priority industries which fail to export at least 5 per cent of their production are liable to cuts in their import requirements apart from being ineligible to the preferred sources of supply.

Compensatory Support

Compensatory support is allowed to exports of selected products to develop marketing competence and to neutralise the disadvantages inherent in the present stage of development of the economy and the various state and local taxes and levies not refunded. Rates of compensatory assistance are expressed as percentage of f.o.b. value of exports and generally vary from 5 to 30 per cent. Engineering goods, chemicals and allied products are eligible for compensatory support.

Trade Development Authority

The function of TDA is to promote selective and intensive export development of products with growth potential by technically competent and commercially viable units, to the developed and developing countries, through provisions of package of services in the field of export production and marketing. The products and the markets to which TDA's programme is directed are new and highly sensitive to performance of contracts according to scheduled deliveries. The products chosen by TDA include parts, components and accessories which go into the production assembly and any delay or default in shipment would hold up production lines abroad, resulting ultimately in loss of business. The government has approved a package plan for servicing the requirements of TDA's

clientele. According to this, simplified procedures have been evolved for processing applications duly recommended by the TDA for advance licences. The TDA has also been recognised as a sponsoring authority for recommending applications for import of capital equipment and new toolings in balancing/modernisation/expansion/creation of capacity.

Generalised Scheme of Tariff Preferences

The agreement on introduction of the GSP by the developed market economy countries, concluded in October, 1970 under the auspices of the UNCTAD Special Committee on Preferences holds out a challenge and an opportunity to a country like India which is struggling hard to expand and diversify its exports. EEC and Japan have decided to introduce GSP by July, 1971. Other developed countries may introduce GSP by July, 1972.

India's exports can increase by about $200 million (Rs 150 crores) as a result of GSP provided we are sufficiently alert to seize the new opportunities. Although India's exports to the Commonwealth developed countries may suffer as a result of our having to share our existing preferences with non-Commonwealth developing countries, the overall benefits to India on account of preferences in the EEC, Japan and USA are likely to exceed any possible loss in Commonwealth countries.

India's Trade Relations

The decision of the United Kingdom to impose an import duty of 15 per cent on Indian textiles from next year has aroused justified resentment in this country. This issue, as well as the wider problem of the likely effects on our exports, of UK's entry into the European Economic Community, is engaging our close attention. It is our intention to persuade the Community that the pursuit of liberal trading policies is in our mutual interest. Our economic relations with the socialist countries of eastern Europe have continued to develop satisfactorily to our mutual interest and it is our intention to further strengthen these relations.

India has strongly supported increasing economic co-operation among developing countries. We fully subscribe to the Declaration On Non-Alignment and Economic Progress adopted by the heads of states/governments of non-aligned countries in Lusaka, in September, 1970, pledging for a programme to foster mutual co-operation among developing countries to impart strength to their national endeavours and to contribute to each other's economic and social progress by an effective utilization of the complementarities [illegible] and requirements

We have strongly supported efforts being made by the ECAFE countries to promote regional economic co-operation. Significant progress was made at the meeting of the Council of Ministers for Asian Economic Co-operation held in Kabul from December 16 to 19, 1970 towards the establishment of an Asian Clearing Union and launching of a trade expansion programme as speedily as possible. India's close and cordial economic relations with the neighbouring countries will be further developed

Expanding Role of the Public Sector in Imports

It is the declared policy of the government to expand the role of the public sector in the country's import trade. Government are convinced that state trading can be of great help in taking advantage of economies of scale arising out of bulk contracting, bulk procurement and bulk shipments and thereby securing favourable c.i.f. prices of imports. State trading can also help to deal more effectively with the evil practice of over-invoicing of imports, mop up a part of windfall profits accruing to private importers and also in pursuing orderly pricing and distribution policies. Consistent with these objectives, under the new import policy for 1971-72, 51 additional items have been added to the list of imports canalised through public sector agencies. With the addition of these items, the list of canalised imports will cover 112 items. On this basis, the public sector agencies will handle about 70 per cent of total imports by March, 1972.

Public sector agencies engaged in state trading are taking active measures to ensure an effective planning of import requirements, efficient procurement, distribution and stocking of imported goods. Sale prices for distribution of goods to actual users will be determined by the public sector agencies concerned subject to the guidance and general control of the Ministry of Foreign Trade. The working of public sector agencies in regard to procurement, pricing, distribution of imported materials and other procedures will be reviewed every quarter by a committee in the Ministry of Foreign Trade.

Summing Up

In the last fifteen years, India's industrial structure has been greatly diversified. It is now possible to sustain a large scale export effort in which both traditional and non-traditional items must play an important role. Our managerial and technological skills, including our knowledge of technique of international marketing have considerably increased in the last two decades. Institutional arrangements for the promotion of exports have been greatly strengthened. The adoption by the developed countries of a generalised system of tariff preferences in favour of developing countries constitutes another major favourable development for our exports. Government policies will continue to promote sustained growth of export production and to strengthen the quality and competitiveness of our exports. In this connection, public sector agencies will play an increasing promotional role. On the basis of all these developments, it is possible, now as never before, to achieve a significant breakthrough in exports, which are so vital for securing expanding levels of income and employment.

NATIONAL PRODUCT AT FACTOR COST*

Item	1960-61	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67†	1967-68†	1968-69†	1969-70†
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Net National Product (Rs crores‡)										
At current prices	13294	14050	14873	17094	20061	20621	23903	28374	28678	31174
At 1960-61 prices	13294	13763	14045	14845	15917	15021	15243	16660	17057	17955
Per capita net national product (Rs)										
At current prices	306 3	316 4	327 6	368 4	423 2	425 1	482 9	560 8	554 7	589 3
At 1960 61 prices	306 3	310 0	309 4	319 9	335 8	310 4	307 9	329 2	329 9	339 4
Index number of net national product										
At current prices	100 0	105 7	111 9	128 6	150 9	155.1	179 8	213.4	215 7	234.5
At 1960-61 prices	100 0	103 5	105 6	111 7	119 7	113 0	114 7	125 3	128 3	135.1
Index number of per capita net national product										
At current prices	100 0	103 3	107 0	120 3	138 2	139 1	157 7	183 1	181 1	192.4
At 1960-61 prices	100 0	101 2	101 0	104 4	109 6	101 3	100 5	107.5	107 7	110 8
Gross national product (Rs crores‡)										
At current prices	14029	14860	15803	18088	21176	21839	25285	29889	30329	33019
At 1960-61 prices	14029	14547	14930	15758	16900	16023	16307	17777	18225	19173
Index number of gross national product										
At current prices	100 0	105 9	112 6	128 9	150 9	155 7	180 2	213 1	216.2	235.4
At 1960 61 prices	100 0	103 7	106 4	112 3	120 5	114 2	116 2	126 7	129 9	136 7
Estimated population (million)	434	444	454	464	474	484	495	506	517	529

*This table had appeared on page 1187 of our issue dated June 18 with some errors. Here is the correct table.

†provisional ‡crore 10 million

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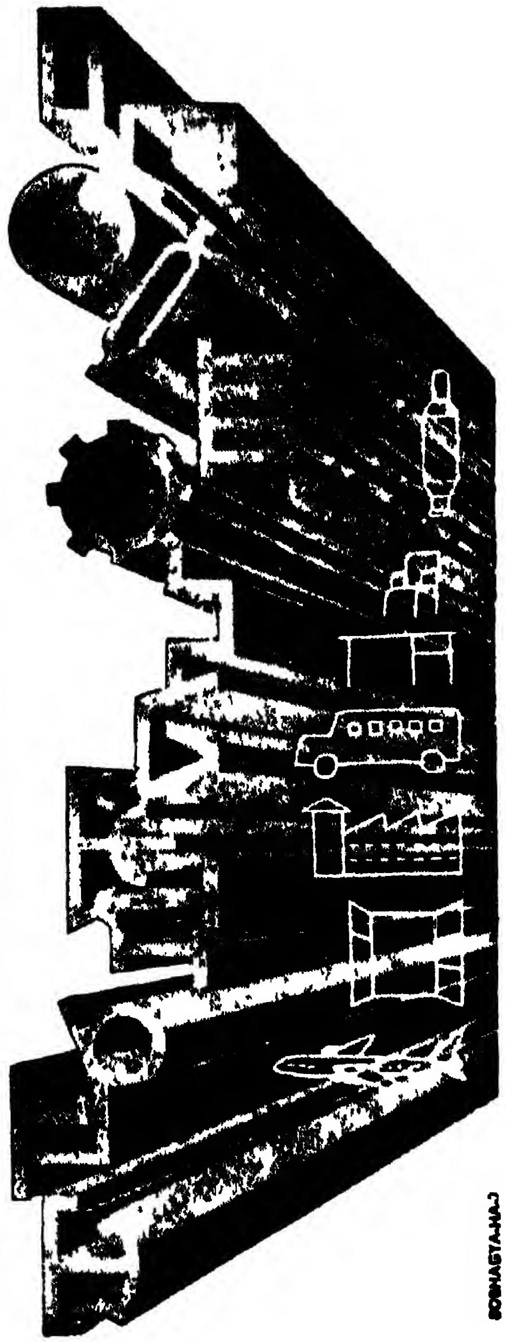
The movement of the centre of power from the hands of a few capitalists in Tamil Nadu to a few government servants either at New Delhi or at Bombay, as had happened in the case of nationalisation of banks or general insurance, will not ensure the complete fulfilment of the socialist goals before us It is indeed unfortunate that the central government is yet to come forward to associate the state governments in the management and day-to-day administration of these institutions

—Mr M. KARUNANIDHI

Let other states follow the example of Tamil Nadu and plan for themselves.



EASTERN ECONOMIST

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GETTING AWAY WITH MURDER

THE CHIEF Minister of Tamil Nadu apparently considers himself a better socialist than Mrs Indira Gandhi or even Mr Y.B. Chavan. Mr Karunanidhi, while presenting the state budget for 1971-72 in his capacity as Finance Minister has made a speech which repeatedly proclaims his socialist claims and convictions in flowery prose. In fairness to him, however, it must be said that his budget does have a series of good social welfare proposals to his credit. Mr Karunanidhi has always taken a severely practical view of public finance as a very useful tool in the hands of a government which understands the meaning of power. He has not allowed a mere accountant's attitude to come between him and the popularity that could be his through the skilful deployment of public funds. Verily, in his case, money is what money does.

It is possible that there have been occasions when Mr Karunanidhi has made money do things which it should not have been asked to do. In this budget, however, in setting money to work, he has generally seen to it that it attempts good works. In addition to general development programmes for agriculture, electricity, roads and small industries, the Tamil Nadu budget has given attention to a number of imaginative schemes which are either employment-oriented or designed to benefit specifically the backward classes or other vulnerable or less privileged sections of the population. Whether it is rural housing or land for agricultural labourers, who are mostly Harijans, or facilities for education for students from the backward classes, Mr Karunanidhi has been able to squeeze the state exchequer for funds. The expenditure estimates have thus succeeded in creating the impression that here is a government which, in its own way, cares for the people. It is certainly refreshing to read in the budget speech that "truly has it been said that mother earth laughs at him who says, 'I cannot do anything because there are no resources'."

Money, however, still matters and fine phrases unfortunately are less effective than the printing press at Nasik in covering (or covering up) budget deficits. In Mr Karunanidhi's case, this deficit amounts to Rs 59 crores which he incidentally ascribes mostly to New Delhi's failure to be more reasonable in the matter of central assistance. New Delhi, however, has its own problems and certainly, its explanations. Madras therefore has got to do what it can about its budget deficit. Fortunately there is Prohibition to be scrapped and the chief minister has done this.

Thanks to the prospective revenue from Drink, the Tamil Nadu government should be able to look forward to the budget deficit becoming more manageable eventually. All the same the chief minister has chosen to think of ways, good, bad or indifferent, of adding to the state's revenues. He has raised the tax on urban land holdings in Madras city on a graded scale and has also extended this tax to four other metropolitan areas in the state. He has also given another turn to the screw of the sales tax, with Madras city further being made liable to a special surcharge on sales tax, the proceeds of which will be applied mainly to slum clearance in this metropolitan area. As his contribution towards the national task of securing development resources from those who derive substantial income from agriculture the chief minister has proposed certain changes in the agricultural income-tax which will have the effect particularly of exacting larger contributions from those cultivating commercial crops.

Most of Mr Karunanidhi's budget decisions relate to social welfare rather than socialism. This cannot fully satisfy the new breed of crusaders among us. The chief minister therefore has to show his resourcefulness. As a true White Knight in the battle for the Holy Land, he has done this by announcing the nationalisation of all passenger transport divisions of transport undertakings having 50 or more bus permits. Mr Karunanidhi has stated the justification for this move in the two following sentences which carry their own commentary (and, perhaps, condemnation):

> "The prevention of the concentration of economic power in the hands of a select few, and a wide dispersal of the economic strength among the deserving many, is one of the basic principles underlying the evolution of a socialist society. Another important aspect is to nationalise the commanding heights of the economy."

At a more earthly level, the decision of the Tamil Nadu government to strip

the larger transport undertakings of their passenger transport business would perhaps be explained in terms of certain sectarian motives or partisan objectives that even Mr Karunanidhi may not be man enough to commit to cold print More important still, this latest manifestation of the socialistic spirit promises to replace the proved dynamism efficiency and social worth of private enterprise and management in the passenger section of the road transport industry in Tamil Nadu by governmental inertia inefficiency and corruption State transport already accounts for some part of passenger traffic in Tamil Nadu and although it started well and progressed reasonably under the Congress administrations which preceded the advent of DMK rule it has degenerated in recent years and its current working has caused substantial damage to the reputation of the present administration in the state The first concern of Mr Karunanidhi should therefore normally have been to seek to mend matters with regard to existing state transport services but then the saw dust C esars (male and female) who strut across our political stage today have become so much of a law unto themselves that they can get away with murder

Breaking the Barriers

THE TRADE Development Authority (TDA) has taken credit for having forecast with remarkable accuracy this country's exports in 1970-71 Its research and analysis division had projected the exports at Rs 1 535 25 crores as against the final figure recently declared by the Department of Commercial Intelligence and Statistics (Calcutta) (DGCIS) at Rs 1 530 crores the marginal error in this case worked out to be 3 per cent only While the TDA needs to be congratulated for its success in this particular field, which shows that its research staff is fully conversant with the recent trends in the composition as well as the direction of our exports it needs to be stressed that it has still to make its contribution to increasing the volume of our exports According to the annual report of the Authority for the year ended March 31, 1971, its effective functioning started from November last year It follows that it has hardly had time enough to settle down and draw up detailed schemes regarding its working operations

Broadly the TDA has been assigned three tasks, namely merchandising information, and research and analysis of our exports The merchandising division forms the core of this new organisation which is supposed to identify exportable products, manufacturing units in this country which have spare capacity for exports and buyers abroad Its functions include the establishment of buyer-seller contacts and the servicing of inputs into export production and marketing During the brief period in which the TDA has been in operation it has enlisted the co-operation of no less than 170 Indian companies which are willing to work in close association with it for increasing the volume of their exports These companies manufacture about 100 specific products and an effort is being made jointly by the TDA and the manufacturers to find ways and means of increasing their exports to the developed world consisting of the USA Canada western Europe and Japan

The merchandising division has selected the manufacturers as well as the product groups on the basis of the spare capacities available with the units and various other relevant factors It has been estimated that the annual international trade in the case of the products selected by the TDA is around Rs 2 250 crores at present Our share in the export of these products to the developed world is no more than six crores of rupees Prospects for increased export of these items to the target markets are reported to be bright and a rough estimate indicates that there is a possibility of increasing the exports of these products up to Rs 50 crores a year The TDA however fully realises that serious and sustained efforts will be required to translate the potential into actual exports by enlarging their quantum, character and composition

Amongst the various schemes currently being worked out by the merchandising division of the authority, one which seems to have great possibilities is the "airport electronics project" for bonded processing and warehousing facility concerning export of assemblies and sub-assemblies of electronic equipment and components This project has drawn inspiration from a similar enterprise established in the vicinity of Kaussng airport in Taiwan An interesting aspect of this project is that both the import of raw materials and the export of finished products would be by air freight In order to give concrete shape to this project, arrangements have been made to acquire land near Santa Cruz airport in Bombay because of the ready air freight facilities available there If all goes well, this project is expected to yield net earnings of $ 5 million foreign exchange every year

The electronics industry, no doubt, is one of the rapidly growing industries in our country and since this country has an advantage in the form of ample availability of relatively inexpensive technical manpower there are bright possibilities of increasing exports of components and equipment There seems to be, however some wishful thinking in the project drawn up by the TDA Among the 17 electronic components and equipment chosen for export development in the first phase of the TDA's operation are some products such as the electronic task calculator which is not currently being manufactured in our country at all Some of the licensees have still to produce a prototye It is doubtful that this country will be able to export this particular product in the near future as Japan has

Eastern Economist 25 Years Ago

JULY 5, 1946

From the point of view of exports the cotton situation today is just the reverse of what it was in 1941 Now there is very little cotton left for disposal in foreign countries The evolution of a clear cut policy for exports of raw cotton is rendered difficult by the interaction of various domestic and external factors At home the problem is to be examined from three stand points In the first place there is the question of cotton production We have to decide how much land after considering the conflicting claims of other crops especially food crops can be allotted to cotton This raises the whole controversy of food vs cotton about which we shall be content with one word Considerations of short period demand priority for food but after the next two or three years once again economic factors will come into the picture To divert cotton lands into food crops may not then be necessarily wise or right This does not imply that efforts should not be made to increase production of cotton on the acreage that the nation can immediately allot to it In fact, the yield of cotton per acre in this country is still one of the lowest in the world Since 1941-42 after reaching a record of 103 lbs per acre, the average yield has declined In 1942 43 it came down to 98 lbs

alreay taken rapid strides in its manufacture and has flooded the markets of the world with cheap and reliable electronic calculating machines It is only to be hoped that the TDA would not fail to do the necessary home-work as well as market research before planning to push these products into world markets

While the decision to set up the "bonded processing and warehousing facility" at Santa Cruz airport (Bombay) has already been taken, it is proposed to send a delegation in September this year to Taiwan, South Korea, Hong Kong and Puerto Rico for studying the procedures regarding warehousing zones in these countries The delegation is also expected to visit Japan, western Europe and the USA for establishing long-term buying contracts and for pinpointing selection of components and sub-assemblies to be processed at the Santa Cruz facility This delegation, it is reported, has been cleared by the Electronics Commission which was set up sometime back to plan the growth of this industry It will consist of ten members, two from the Electronics Commission and the Department of Electronics two from the TDA and six nominees of public and private sector electronic manufacturers Ostensibly, the purpose of this delegation is to study the markets abroad before embarking upon the warehousing project What is not clear is why such a ponderous delegation has been constituted for this fact-finding mission

It is well-known that in the past, large delegations had served little useful purpose, specially if there were no competent market researchers among its members If this were a delegation which was visiting foreign countries to enter into sales contracts with foreign firms, its composition could perhaps be justified, though having four out of 10 members from bureaucratic setups could hardly be justified It would have been better had trained market researchers been asked to conduct a quick market survey which could be followed by visits of competent sales delegations of manufacturers to promising markets abroad

Undoubtedly there are certain proposed activities of the TDA which deserve full support For example, its efforts in regard to buyer-seller contacts are indeed praise-worthy as they have already resulted in export contracts in the United Kingdom, West Gretmany and the USA worth $2 5 million in the past six months Again, two of the largest department stores in the USA have been put in touch with Indian suppliers and the former have shown interest in a wide variety of goods such as transistor radios, sports,light roadster bicycles, bicycle components, stainless steel cutlery and readymade garments According to current indications, these two department stores alone are likely to import goods worth $15 million a year

Another innovation that the TDA has tried is to invite buyers delegations to our country Two of these delegations from Japan showed interest in our plastic and chemical industry products and sewing machines The second delegation is reported to have placed some trial orders for sewing machine components This product-by-product and client-by-client identification of export possibilities is likely to yield dividends in the long run Considerable spade work will however have to be done before the contribution made by the TDA can make itself felt in the totality of our exports

Last year when the TDA was inaugurated, it was stated by some critics that the mere multiplication of such organisations would not increase our exports To a certain extent, this criticism still holds in so far as the information and research and analysis divisions of the TDA are concerned It is the merchandising division which is likely to bring forth some fruitful results The other divisions will be duplicating some of the work currently being handled by some wings of the Ministry of Foreign Trade and the Indian Institute of Foreign Trade If however the merchandising division proves a good public relations agency between the Ministry of Foreign Trade and the exporters and helps in mitigating the woes of the exporters, it will have served its purpose

Financing Agriculture

BUREAUCRACY is often blamed for its "trained incapacity for decision", and this generally holds good regardless of whether the decision pertains to a public sector undertaking or to a private sector company So, Prof M L Dantwala, Chairman of the Agricultural Finance Corporation, Ltd (AFC), must be supremely happy that whatever he wanted has materialised almost ahead of anticipation as it were Prof Dantwala referred to three requirements in order that the AFC might enhance its utility to its shareholders and to the general public, namely, augmentation of the Corporation's financial resources, utilisation of the corporaton for canalising World Bank funds to agricultural projects and extension of the term of appointment of custodians or chief executives of nationalised banks for one full year

As though in answer to the AFC chairman's prayers, the union Finance Minister has already introduced a bill in the Lok Sabha to enable the AFC to borrow from the National Agricultural Credit (long-term operations) Fund of the Reserve Bank of India In his speech to the shareholders at the third annual general meeting of the AFC held in Bombay on June 18, 1971, Prof Dantwala remarked that, in as much as most of the Corporation's paid-up capital had been in vested in long-term loans to the state electricity boards, its financial resources had become very limited and accordingly hinted to member banks that henceforth practically the entire amount of the sanctioned loans would have to be contributed by them Whether member-banks will heed to this appeal or be able to do so or not, the AFC need not feel the constraint of resources to carry on its admittedly useful and also imaginative work on the agricultural front Again, since the AFC's claim to have the requisite expertise and experience in financing agricultural development is fully borne out, it is only a matter of procedure for the government of India and the Reserve Bank to accept the Corporation's offer to utilise its services for channelling the World Bank's funds to agricultural projects And, when this happens, the AFC's resources would be further augmented to take care of all its needs

The AFC chairman himself must have been agreeably surprised when he announced to the shareholders at the annual general meeting that, just a day prior to the meeting, the government of India had already issued notifications permitting the custodians or chief executives of banks to continue as directors on the AFC Board for a full term of one year from July 1, 1971 This is indeed is a timely decision and the authorities certainly deserve to be praised for this expeditious disposal It is now for the Corporation to go ahead with all its plans and really enhance its usefulness A brief reference to the AFC's activities so far, in particular during the third year of its existence, suggests that it should be able to do this

In 1970, the AFC's gross profit amounted to Rs. 5,19,739 After adjustment of the deficit of Rs 2,66,596 of the previous year and other adjustments, the net profit amounted to Rs 2,68,246 These are no doubt meagre figures as Prof Dantwala himself admitted in the chairman's address,

but, as he aptly added, the Corporation's main function is to assist member-banks to diversify and expand their financing of agriculture even while it has to run on business principles. This apart we must also bear in mind the anomaly in our income-tax rules that has led to the AFC being assessed to the extent of 65 per cent of its income. While until the nationalisation of 14 banks, the AFC may not have been a company in which the public is substantially interested, it can no longer be treated that way. It is to be hoped this sensible contention of the AFC would be accepted by the authorities, which would mean its income to the extent of only 55 per cent will attract tax. The Corporation's capacity to earn profits also became further restricted with the decision of the AFC Board not to undertake direct loaning as far as possible but to endeavour and secure extensive participation of its member-banks in financing agriculture. Even where the AFC decides to participate directly for special reason it is required to take care and restrict it to short periods only. In a way this loss of the AFC is the gain of member-banks which, it is to be hoped will participate on a bigger scale than hitherto particularly in area development projects.

The effect of the Board's decision it may be noted here is already reflected in the 1970 results of working of the Corporation. Thus although the Board approved and sanctioned six proposals involving total finance of nearly Rs 27 crores (over Rs 90 crores in 1969) the Corporation's own commitment was less than Rs two crores by way of a loan to the Maharashtra State Electricity Board and Rs 2.5 lakhs by way of short term (working capital) loans to member firmers of a sugar factory in the state of Bihar.

What is noteworthy is that whether the participation is direct or via member banks all the projects were formulated processed and appraised by the AFC. It is not surprising to note therefore, that more and more member banks have begun to make use of the expertise of the Corporation for the appraisal of their projects. During 1970 for instance the AFC received and appraised 14 schemes involving a total amount of Rs 8.73 crores. This suggests that technical appraisal has been more or less streamlined but the fact that the pace of disbursements under some major schemes still continues to be slow indicates the urgent need for streamlining the disbursement mechanism also. It is just as well that the AFC is already at work to quicken the pace of identifying the bottlenecks with a view to eliminating them.

Both the AFC and Prof Dantwala are evidently aware that their work will be judged, in the main, by the Corporation's performance in respect of the area development projects (ADP) which are verily a difficult proposition in that, besides locating, formulating appraising and sanctioning these projects as also evolving a proper procedure the AFC has to deal with several state governments and their varying legal and other procedures which is a time-consuming process in all conscience. As if this is not enough there are differences in procedures and documentation requirements that are adopted by the participating commercial banks too. However the AFC has undertaken a study of all these with a view to evolving a simple and uniform procedure and documentation. Once this is done and the tempo of disbursement improves the ADPs which are already believed to be gathering momentum should get effectively implemented.

For purposes of record it is perhaps necessary to mention here that as a result of the AFC's operations 106 186 irrigation wells have been energised and the pumpset purchase financing scheme has become standardised and made almost fool-proof. The AFC's integrated agricultural development projects, as, for example, at Jalna and the "risk stabilisation fund" at the open well scheme of Raipur, have grown in popularity. The Corporation has also successfully made over a deep sea fisheries project to one of its member-banks. The increasing number of requests to the AFC for the provision of technical consultancy services, e g the request of the Gujarat State Agro Industries Corporation Ltd, is yet another proof of the Corporation's popularity. Above all the Corporation has brought about effective co-ordination not only between commercial banks but between these banks and other agencies, including the state governments, co-operatives and a number of leading voluntary bodies such as the Bihar Relief Committee CARE WAR ON WANT and AFPRO. And these functions of co-ordinations and involvement, as also participations of other agencies, owe much to the bold and imaginative leadership of the AFC's Managing Director Mr B Rudramoorthy and his able associates. The Corporation is indeed fortunate in being able to ensure Mr Rudramoorthy's continued guidance for a further two year period.

Lags in Steel

THE PRODUCTION and capacity figures of the five integrated steelworks in the country for the last quinquennium clearly bring out the sad state of affairs in this industry. The combined rated capacity of the five steel plants Bhilai Rourkela and Durgapur in the public sector and TISCO and IISCO in the private sector — rose from 7.17 million tonnes ingots in 1966-67 to 7.92 million tonnes in the next year and to 8.9 million tonnes in 1968-69 at which level it has remained stationary since then. Production on the other hand has gone down persistently. It fell from 6.45 million tonnes ingots in 1966-67 to 6.17 million tonnes in the subsequent year. After looking up slightly to 6.31 million tonnes in 1968-69 it resumed the donwtrend the next year. Last year it failed to reach even six million tonnes.

Except for the Bhilai and TISCO works where the percentage utilisation of capacity last year, though much lower than in 1966-67 was a bit satisfactory at 77.6 and 85.8 per cent, respectively, the performance at the other three plants left much to be desired. The Rourkela plant worked to 67.7 per cent capacity, the IISCO works to 62.7 per cent and the Durgapur unit to just 39.6 per cent. Even if account is taken of the fact that the effective capacities of the latter three plants last year were somewhat lower than their rated capacities due to such technological difficulties as inadequate supply of refractories of the requisite quality, overaged locos and cranes and considerable backlog of maintenance the picture does not show up any materially. The utilisation of even the effective capacities in these three plants ranged between 50 and 70 per cent only.

It does not require any prophet to suggest that if we can better utilise the installed capacity at our steel plants, especially at the Rourkela, Durgapur and IISCO works, we shall not only be able to have enough steel for meeting the domestic requirements but will also be in a position to export quite sizable

CORRECTION

In the leading article "Mini' Fashions in Steel", published in our issue of June 18, 1971, it was stated that the Tata's Adityapur plant and the Punjab State Industrial Development Corporation's Ludhiana unit will be producing steel from iron ore. It has been brought to our notice that both these units, in common with the other "mini" steel plants which have been sanctioned recently, are also to be based on scrap and not iron ore. The error is regretted. —Editor

quantities. Currently, the shortage in terms of finished steel, which has to be met through imports, is estimated between half a million and one million tonnes. Some categories of steel, the installed capacity for which is insufficient and some other categories for which the demand is not such as to warrant economic production, will, of course, have to be imported till the installed capacity is raised or the demand becomes sufficient to enable production indigenously; these categories primarily cover flat products. But the imports of those types for which we have adequate capacity surely can be obviated.

In fact, the current year's programme of the three public sector steel plants aims at this goal. The Bhilai steel works this year is envisaged to produce 2.2 million tonnes ingots — 88 per cent of the rated capacity. The Rourkela and Durgapur plants are programmed to be operated at 77.8 and 71.9 per cent of their rated capacities, yielding 1.4 and 1.15 million tonnes ingots, respectively. The combined output of these three steelworks this year thus should be in the neighbourhood of 4.75 million tonnes ingots — nearly 1.14 million tonnes more than the 1970-71 production. This year's production programmes of TISCO and IISCO individually are not yet available; they too, of course, are anticipated to fare better. The total production of the five steelworks in terms of finished steel is expected to be around 5.6 million tonnes — about a million tonnes more than in 1970-71.

The above calculations presumably are based on the hope that the rigours of the two major factors inhibiting fuller utilisation of capacity — (i) managerial and technological bottlenecks, and (ii) labour trouble - would be mitigated to a great extent. The decision taken recently to prepare a three-year rolling plan for each of the five plants with a view to assessing their maintenance equipment and raw material requirements, should indeed go a long way in breaking the bottleneck on the first count. But the success of the planned programmes will primarily depend on how labour indiscipline is tackled.

In the interest of improving industrial relations in the steel industry, two steps have been taken. The first concerns the public sector plants. It envisages inclusion of two representatives of labour on the Board of Directors of Hindustan Steel. The other is applicable to all the five plants. Under it, the Joint Wage Committee, which went into the wage structure in the industry last year, has been converted into a Joint Negotiating Committee. This committee consists of the representatives of government and those of the managements and labour unions of the five steelworks. The employees' nominees on the committee are drawn from all the trade unions representing them in proportion to their strengths. A continuous dialogue is thus being attempted between the steel plants' management, on the one hand, and all the trade unions together, on the other.

Only time will show how far this procedure will prove effective. The press reports about the CPM plans, however, do not evoke much optimism about the success of the procedure. The militant leftists among the trade unionists, as indicated by the widespread labour indisipline in the coal belt and the frequent attempts which are being made to disclocate railway services in east India, seem to have developed a master strategy to attack selectively the more vulnerable points of our economy. The steel works are considered by these militants to be among such points. Will the law and order authorities prove equal to the demands of this abormal situation? The organisation of a task force to evaluate every month the performance of the public sector steel plants individually, of course, is a welcome innovation. It should assist in the evolving of remedial action as and when called for.

In the interest of improving the supply of steel in the next three or four years, it is indeed encouraging that the construction work at Bokaro has been accelerated a great deal. The first blast furnace complex of this steelworks is expected to be completed by the end of this year. The entire first stage, which envisages the building up of 1.7 million tonnes of ingot capacity, is expected to be completed by March 1973. In view of the slack demand for pig iron, a crash programme has been launched raising the capacity of Bokaro to 2.5

STEEL PRODUCTION AND CAPACITY: 1966-67 TO 1970-71

(in '000 tonnes)

	1966-67	1967-68	1968-69	1969-70	1970-71
Bhilai Steel Plant					
Rated capacity	2154	2500	2500	2500	2500
Actual production	1852	1785	1735	1859	1940
Durgapur Steel Plant					
Rated capacity	1016	1016	1600	1600	1600
Actual production	754	738	823	818	634
Rourkela Steel Plant					
Rated capacity	1000	1400	1800	1800	1800
Actual production	943	924	1162	1104	1030
TISCO					
Rated capacity	2000	2000	2000	2000	2000
Actual production	2001	1933	1816	1708	1715
IISCO					
Rated capacity	1000	1000	1000	1000	1000
Actual production	897	791	777	700	627
Total rated capacity	7170	7916	8900	8900	8900
Total production	6447	6171	6313	6189	5954

million tonnes as an intermediate stage in achieving the objective of four million tonnes About 0 8 million tonnes of the additional production which is thus being planned should start coming in soon after the first stage In the next two or three years, the building up of several "mini" steel plants, which have been sanctioned recently should also start yielding some steel

Truth About Modernisation

MR L N Mishra, the Minister of Foreign Trade, said in the Lok Sabha on June 7 this year that the jute industry was not showing any enthusiasm for modernising its machinery He observed that though the government of India had allotted Rs 8 crores for modernisation, the mills were not coming forward with their schemes for this purpose

This statement is likely to create a misleading impression about the jute industry It seeks to convey the idea that the jute millowners do not know what is in their own interest and that they are obstinately refusing to modernise their machinery despite official inducements and appeals But the fact is that the jute industry has already achieved a great deal of modernisation of its machinery

The jute industry took up the programme of modernisation in 1950 Attention was first concentrated on the spinning side It is estimated that the production of one modern sliver spinning frame is equivalent to that of the three rove spinning frames of the old type By January, 1968 the industry had over 600,000 modern sliver spinning spindles against 1 2 million rove spinning frames, which is said to be equivalent to 40 000 sliver spinning spindles

The US Agency for International Development, in a study of the jute industry, has said that the spinning process has been modernised except the softeners breaker cards and finisher drawing frames But in the weaving and pre-weaving machinery as well as in the dressing operation the progress of modernisation has been rather slow though for producing carpet backing cloth most mills use pre-beams and modern dressing machinery According to the US Agency's study the jute industry has ploughed back during the last seven years as much as Rs 60 crores in creating and modernising the facilities for the manufacture of carpet backing

As regards the further stage of modernisation, is the jute industry really as indifferent to this problem as Mr Mishra seeks to suggest? The fact is that the jute industry submitted in 1969 detailed scheme regarding the requirements of jute mill machinery during the period of the fourth Plan The industry estimated that it would need Rs 52 crores for its machinery during the fourth Plan period, of which machinery worth Rs 24 crores would be available from the indigenous sources while the balance would have to be imported This was the estimate prepared before the last devaluation of the pound Subsequently it was calculated that the cost of the jute mill machinery required in the fourth Plan period would be around Rs 48 crores

Even if it is true that the jute industry has become indifferent to modernisation it is worth analysing to find out to what extent the government's attitude is responsible for creating this feeling on the part of the mill-owners For the last few years the government's attitude to the problems faced by the jute industry has been far from realistic and helpful Most of the government's actions have contributed to lower the profitability of the jute industry and make its products increasingly uncompetitive in the world markets

The export of jute goods declined from Rs 206 crores in 1969-70 to Rs 183 crores in 1970-71 Mr Mishra has expressed the view that in the current year the export of our jute goods might go up to Rs 251 crores If it does the country's thanks should go to President Yahya Khan rather than to Mr Mishra

The jute industry's growth has been retarded by many factors such as the continuation of heavy export duties, uneconomic prices offered for the government's purchase of jute goods, inadequate attention to the timely imports of raw jute, and to measures for improving the yield per acre. Nor has the government used its influence to improve the productivity of labour in the jute mills The industry recently revealed that since January 1970, the cost of conversion of raw jute into jute goods had increased by about Rs 173 per tonne while, in the same period, labour productivity declined by about 15 per cent due to the fall in efficiency A spokesman of the industry said in April this year that the jute mills were "desperately short of working funds".

In recent weeks the jute industry has been hit hard by sharp and sudden interruptions in the supply of power The government of West Bengal has been unable to ensure continuous supply of electricity even to such a major industry as jute which plays a crucial role in providing employment to several millions of people Non-availability of railway wagons has been another handicap to the efficient working of the jute industry

In this situation, which is largely the creation of the government, is it realistic to expect the mill-owners to be too eager to go in for modernisation? As if these difficulties are not enough, there are also the constant threats from quarters about the nationalisation of the jute industry The government of India, for political reasons, will not categorically say that it has no intention to taking over the export trade in jute goods for a certain period of years All it says is that it has no intention to do so "for the present"

Such statements hardly help to inspire confidence and induce large-scale investment in the jute industry It is up to the government of India to create such conditions as will help to expedite the modernisation of this industry which is vitally important not merely to West Bengal and the other states in the eastern region but to the entire country

Air Transport Industry

PIERRE D. COT

> Mr Pierre D. Cot is the President of Air France, Paris. His address dealing with the "Analysis of the Current Situation in the Air Transport Industry" delivered at "Time/Superjet" conference which was held on June 4, 1971, at Deauville, France, is reprinted here.

I HAVE no pretensions to teaching you much about air transport but would merely like to make a few remarks based on an analysis of the current situation.

Considering the fact that I spent a certain number of years with the Paris Airport Authority, it would no doubt surprise you if I did not first comment on aviation infrastructure. My comment concerns the cost of this infrastructure.. Fifteen years ago, this was still moderate as facilities were a simple matter. Moreover, airport fees were low and it was the taxpayer who did the paying through the various communities concerned—cities, counties, states and federal budgets. There was no lack of arguments and justifications for explaining why this was so.

Cause for Regret

But this situation could not last, first of all because community resources do not increase at the same rate as air transport requirements and also because other needs appeared to be more urgent and maybe also because airlines made the mistake, five or six years ago, of proclaiming their successes and the soundness of their financial status — which they of course ascribed to their fine management. They had cause to regret this since the national or local governments came to realise that they were subsidising flourishing enterprises and decided to adjust fees so that the airport authorities, just like the air traffic control agencies, would cost the taxpayer less and acquire a tendency to be self-supporting. The rule has now been established: air transport had attained adulthood — which cannot be denied since it is fifty years of age - and must live on its own resources and pay for whatever it uses. The outcome is obvious: airlines' expenditure in ground facilities will continue to grow faster than the increase in their traffic and revenue.

I feel it necessary to draw attention to this point, not for the sake of repeating what so many others have said before me, but because of the following additional point. On distances of medium length, say up to 500 miles, air transport generally competes directly with ground transport. Particularly in Europe where this distance applies to 80 per cent of travel, railroads have succeeded in recapturing a considerable share of passenger travel through the outstanding progress achieved as regards comfort, average speed from stop to stop and punctuality. Now, a distinguishing feature of railroads — like highway transport— is the high cost of infrastructure and the relatively low operating cost of the vehicles themselves. With existing or improved tracks, the railroads can promote their traffic considerably by selling transport at marginal rates. I am well aware that railroads appear to have thrown up the sponge in other countries, the USA in particular, but these are definitely not final decisions. If we consider highly urbanised areas like the North East Corridor, the aircraft will very likely not be able to provide a solution to passenger transport problems on its own within the next 20 years and high speed surface transport means will inevitably be competing with air travel. If the latter does not succeed in cutting down its ground facilities' costs, it will find itself superseded more rapidly and more thoroughly in an important sector of its activities. This is even more likely since it may already be too late to think of installing stolports at central points in populated areas to handle aircraft that are still non-existent and will operate at a cost that cannot be easily estimated.

Cost-Efficiency Ratio

We may therefore conclude that it is in the interest of air transport to scrutinise all ground facilities' expenditure and seek solutions in which the cost-efficiency ratio is as restrained as possible.

Allow me to deal now with the matter that is of current concern to us — crisis in the air transport industry. Newspapers and reviews make frequent reference these days to the difficulties airlines are going through. The losses several of them incurred in 1969 and again in 1970 drew the public's attention while, at the same time, the immense publicity being made about charters leaves this same public completely bewildered: How is it that airlines classified among those that sell travel rather expensively are doing poor business whereas those known to be selling at cut-rate prices are apparently flourishing? We may point out in the first place that the situation is far from being as simple as all that. There are also non-scheduled carriers who are in difficulty. On the other hand, there are many scheduled carriers who have so far remained in the "black". It is however a fact that those experiencing the greatest difficulties are the largest airlines.

The disease is no doubt localised but it exists in such an important sector of world air transport that it is impossile for it not to spread. I shall not presume to analyse these difficulties: Business stagnation in the USA, rapidly growing inflation in the world's most important market, a phenomenon hitherto restricted to certain European countries, and heavy aviation investments at a time when the cost of capital is high, are some of the essential points to bear in mind.

Sharp Wage Increases

They are not the only ones. There is also the fares policy applied on US domestic routes and the highly important North Atlantic sector. Domestic fares in the USA have been maintained until recently at inadequate levels through government regulations with no regard for the rapid climb in costs. It is easy to understand the reasons underlying such a policy: in all countries in which government authorities are empowered to take decisions regarding prices, it is natural that they should try to keep them from rising when inflation prevails. But, in the USA wage increases have been very steep and sharp, especially in air transport.

Now, wages represent 40 to 50 per cent of airlines' operating costs. This element of the economic situation alone is important, so much so that the same people who press most strongly for easing air transport regulations, particularly as regards fares restrictions, are also urging deeper involvement by government authorities in regulating the settlement of social disputes. Air transport is effectively a service industry and, as such, it cannot stock its production or keep its customers waiting and any suspension of operations entails a total, irreparable production loss. Social disputes consequently tend to accelerate the rate at which personnel costs rise.

On the North Atlantic route where scheduled carriers are rather more directly involved in setting up fares' structures under IATA auspices, other phenomena have been operative. If we look back at the years 1965 and

1966, we will recall that air transport was in a state of euphoria at the time: it had profited from the enormous productivity gains resulting from introduction of jet aircraft and a sound balance had been established between capacity supply and transport demand. A wise policy of lower fares, mainly through setting up promotional fares, was adopted. This policy was unfortunately pursued from year to year until 1969, despite symptoms of a certain recession and of definite inflation that appeared as early as 1966. Mr Charles Tillinghast, then President of TWA, had pointed out these dangers at the time, addressing in Paris the first symposium of the Institute du Transport Aerien

At the same time, carriers were starting to experience the effects of an excessively complex fares' structure and the drop in unit revenue which was as irresistible as it was unforeseen. The anxiety created by this relative cut in revenue at a time when all carriers were having to bear the high expenses involved in purchasing jumbo-jets was so intense in 1970 that a reverse trend was triggered to stem this drop which was all the more alarming as production costs were climbing steadily. This reaction was late in coming and was no doubt short-lived if I am to judge from the rather haphazard proposals put forward regarding this poorly controlled situation and particularly the threat hanging over scheduled air transport through the easing of charter flight regulations that the US authorities have finally proposed in keeping with the wishes of non-scheduled carriers.

Cut-Rate Travel

These carriers enjoy growing favour with the public as they sell cut-rate travel and can afford to do so since they have practically no overheads, no commercial costs, no ground investment charges, no pilot training costs and lastly, their personnel expenses are proportionately lower. They have few overheads as they do not take part in aircraft and airport studies and design, they have neither hangars nor workshops as they can have their flight equipment overhauled and maintained by existing carriers, among which they choose the least expensive, they have no station costs as they make use of the services of other airlines or agencies, they have lower flight personnel costs as there is no lack of applicants who work nearly twice as much for less pay than the flying staff of scheduled carriers and, last but not least, they have no commercial costs, no expensive electronic space reservations system and no or very little publicity costs. Besides, since their planes operate with seat occupancy factors of 85 to 90 per cent, it is easy to understand how they manage to earn reasonable profits while offering fares lower than those of scheduled carriers.

I may add that many of them also have a high turnover through military contracts which provide a sound basis for their operations. While they are still few in number and account for only small share in the overall supply, these carriers, who have replaced the familiar term "non-skeds" by the more flattering one "supplementals" - - although they do not confine themselves to "supplementing" the others - can focus their efforts on sectors with an interesting potential market according to the season, like the North Atlantic in summer, the Carribean or South Pacific in winter and military transport throughout the year. In this way, they can operate on a satisfactory basis even though the Japanese, South American and Middle East markets are closed to them by government decision - and also the US domestic routes for reasons I am not aware of. Should this type of operation be condemened *a priori*? By no means. There is nothing reprehensible in it as such. It nonetheless introduces new risks that have to be measured. Basing their operations practically free of permanent charges on a structure indispensable to them, that has been set up by and for scheduled carriers creates artificially and unfairly a shift in the sales' price structure.

Unstable Balance

The only counterpart of this shift is a certain difference in the standard of service to which a large section of potential travel clients, in what is commonly referred to as the "mass transport" group, is quite unresponsive. This mass of potential clients is so considerable that the balance between scheduled and non-scheduled transport is patently unstable. This instability, which imperils both systems of transportation, has forced and is forcing government authorities to take action. The solution is perfectly simple for many countries and consists in total or partial prohibition of supplementals. I mentioned some of them earlier on and we find they cover a large area of the world aviation network. Is this protective attitude the only way to solve the problem? Those who favour liberalism, even if they happen to become protectionist when competition gets too keen, advocate solutions involving restrictions which, in their opinion, promote the establishment of new balances. This has led to complex, erratic regulations defining groups and validity periods to rather arbitrary obligations concerning deadlines for commitments and submitting items from a complex application file to the authorities.

I am personally wary of the application of Parkinson's law. One cannot prevent a river from flowing by piling up tiny obstacles. And, after all, do we really want to stop the flow ? By no means. We are trying to prevent a sudden, disastrous flood. Let us aim our efforts more at regulating the flow through control means that provide intellegent, effective action. Governments in Europe, the only continent to which US non-scheduled carriers still have access after all, have been giving this problem lengthy consideration but have not yet found a satisfactory solution. Their tourist departments have of course generally been lured by the prospects held out to them. They wanted tourists, which means dollars, and the supplementals would bring in full loads. It is probably hoped to attract business on the European market as well and set up a traffic flow in the opposite direction. But has the outcome of such operations been seriously estimated? I doubt it. In this matter, at the present time, the rule-of-thumb method prevails and the pedlar of dreams is a welcome guest. To hell with the PBBS!

Inadequate Load Factor

Shall I end on this disappointing note? No, I shall not. Oh, it's not because I feel I can offer a radical solution to this problem. I merely wish to point out that, on the North Atlantic route and in air services with the USA in general, there are certain regulations that do not favour scheduled air carriers. I feel that, to render control of the situation more rational, one of them that stresses the imbalance between scheduled and the other form of transport should be eased. I referred earlier to the high load factors on charter flights. What is the, if not sole at least fundamental, cause of the bad North Atlantic results achieved by most of the European and US carriers — except those who operate on protected routes? It is the scheduled carriers' inadequate load factors. Now, the feeble load factors are, to a great extent, the outcome of the American government's doctrine of prohibiting any concerted action by carriers in respect to capacity offer. Is it reasonable, at this time, for nine aircraft (soon all 747s) of the three major carriers operating the Paris/New York route—PANAM, TWA and Air-France -- to have to leave Paris for New York in groups of three at practically identical times each day during the idlest traffic months? And, except for the figures, the situation is the same in all large European cities.

The European pools' system has come in for a great deal of criticism in the

USA. This practice has been termed Malthusian. I must say that this reproach is unfounded. Neither the purpose nor the result of European pools is to maintain fares artificially at high levels. Besides, the governments responsible for approving or rejecting carriers' proposals would most certainly oppose this. The main advantage of these pools is to facilitate a traffic expansion estimate through bilateral consultation and agreement and consequently define 'the capacities to be offered for obtaining reasonable and adequate load factors without adversely affecting the standard of service. Isn't it senseless and contrary to the general interest to persist in operating half-empty aircraft on the North Atlantic route, at a loss to their owners, while aircraft with a full load, offering seats at half the price, are flying the same route and operating at a profit?

To be sure, we would find ourselves with too many aircraft on our hands if such capacity control methods were applied overnight. This is because we are suffering simultaneously from aggregate over-capacity. Much of this is no doubt due to the huge orders for jumbo-jets placed in the heyday of 1966, particularly by scheduled carriers. But they also may prove that the excess capacity operated on the North Atlantic route practically represents the transport potential that supplementals place on the same route. So, on this side of the ocean, we sometimes hear the remark that we would appreciate it if our North American friends did not export to Europe their excess aircraft capacity. I shall certainly refrain from any such simplification but I feel all the more justified in urging action by government authorities and carriers on both sides of the Atlantic for working out a solution to the problem of what capacities are to be offered for averting a disastrous fares war, the cost of which would, in the long run, have to be borne by taxpayers and aircraft manufacturers as well as the air travel industry as a whole

Neither Growth Nor Justice

D. N. DWIVEDI

The two major problems which our country faces at present are the growing concentration of economic power and the existence of mass poverty which extends from 45 to 50 per cent of the total population, the former being the main cause of the latter. No budget for the current session conceived in isolation of these problems could in any way be justified It was perhaps in view of these facts that the Finance Minister, Mr Y.B. Chavan, highlighted in his budget speech the philosophy of his budget as stepping up of socialism, accelerating economic growth matched by increased social justice. He was apt to add that 'social justice must begin with the increasing opportunities of job and work for every one.' Given this premise, one could easily guess the objective of the 1971-72 budget — that it was intended to transfer resources from private to public hands in such a manner that it expedited the economic activities and thereby the process of economic growth, and opened up new vista of job opportunities for the unemployed and under-employed persons. It is in the light of these facts that an attempt has been made in this article to assess the relationship between the objective of the budget and the tax and expenditure measures.

So far as resource transfer aspect of direct tax measures is concerned, they may be considered to be apt and accurate, and also in line with the objective of socialism. The axe of tax falls mainly on the upper and upper middle income classes. In the case of taxation of individual incomes, people having an annual income up to Rs 15,000 remain completely untouched by the surcharge on income-tax. Beyond this level, income-tax rates increase progressively due to enhancement of surcharge from 10 per cent to 15 per cent. Nevertheless, persons having incomes up to Rs 40,000 per aunum are moderately affected as the average tax rate on their incomes increases by 1-1.57 per cent. But, on the incomes beyond Rs 50,000 per annum the average tax rate increases by about two per cent and goes on progressively increasing up to four per cent on incomes exceeding Rs three lakhs. Those with an annual income of Rs 10 lakhs or more would be required to pay income tax at the rate of 93 4 per cent. Similarly enhancement of tax on 'capital gains' is not unjustified in view of the fact that capital gains are unearned incomes. But the tax on wealth with a view to preventing wealth accumulation seems to be ill-advised. For, wealth tax would be relevant mainly to urban land and property, and the landlords by increasing rent would try to recoup the wealth tax. Consequently, the incidence of wealth tax will fall on the tenants. The other direct-tax measures are however fairly in tune with the spirit of the budget.

But the withdrawal of development rebate in respect of new investments from 1973-74 onwards under the presumption that it has had its full play, is grossly misconceived. The present slackness in the private investment may be due to other factors such as the government's industrial policy, non-availability of raw materials, import restrictions, non-availability of funds etc. and not because development rebate has failed to provide any incentive for further investment. Unless the government has an implicit or explicit intention to curb private investment, withdrawal of development rebate is unjustified and may in the long run defeat the objective of accelerating the growth rate, and hence the possibility of expansion of job opportunities in the organised sector. Withdrawal of development rebate accompanied by heavy import duties on capital goods may have serious repercussions on the economy. Therefore, sooner or later, the government, if it is clear in its intention, will have to review the present withdrawal of development rebate. The government should have rather resorted to moderate increase in the taxation of corporate incomes as it has done in the case of individual and Hindu joint family incomes, instead of withdrawing the development rebate.

Indirect Taxes

With regard to indirect taxes, the budget affects, by and large, only the luxury and non-essential goods such as cosmetics, cigarettes, brass and glass wares, lubricants, air-coolers, electric goods etc. though urban women and smokers would dispute the non-essentiality of cosmetics and cigarettes. However their interest for the sake of a majority of the people may, for the time being, be ignored. The budget has surprisingly spared the synthetic fabrics. What is much more surprising and unconvincing is that the Finance Minister has spared certain purely luxury items such as refrigerators and television.

What needs a mention here is the fact that the burden of indirect taxes -- both excise and sales tax --has been increasing on consumer goods. The increase in indirect taxes has raised prices and contributed to the erosion of the purchasing power of money. The Finance Minister has himself emphasised the seriousness of the price situation in recent years and the need for stabilising prices. But the fact that enhancement of indirect taxes would add another dose to the rise in prices has escaped his attention. Indirect taxes, directly, get added to the cost of production.

Besides, in an economy characterised by market imperfection and monopoly, rising monetary income, and aggregate supply being short of aggregate demand, indirect taxes provide an

opportunity to the businessmen to raise prices more than the tax imposed by creating artificial scarcity in the market. For instance the cigarette brands on which excise duty of 5 to 10 per cent was imposed in the budget started selling in the market at prices which were higher by 10 to 20 per cent. Similar was the case with other commodities on which additional excise duties were imposed. The recurrence of a similar price spiral during the current financial year cannot be ruled out. The worst thing which occurs under such conditions is that what consumers are obliged to pay is much higher than what they are supposed to pay.

Thus the consumer is deprived of a part of his income which is unduly appropriated by middlemen. This leads to tax-evasion through understanding between buyers and sellers. The government will therefore have to ensure that the increase in the prices of excised commodities is not more than the incidence of tax. If the government fails to do this, as it did fail in the past, its anticipations to raise revenue through indirect tax are sure to fail after having imposed an unnecessary burden on the consumer

Effective Measures

However, the Finance Minister has on the whole succeeded in devising certain effective tax measures to raise resources and to prevent accumulation of wealth. He may be considered to be successful in resource-transfer, which is the first step towards socialism. Besides, he has also been well-advised in regard to plugging of big loophole which facilititate tax evasion. The industrialists could evade enormous tax by showing increased salaries of business executives in their accounts: by fixing a ceiling of Rs 6,000 per month on their salaries, he has tightened at least one loose end in the tax system.

But the two important questions which arise at this juncture are : (1) Can this budget help accelerate the pace of economic growth, and (ii) Is this budget going to benefit poor masses by providing employment to them? These questions are to be answered a little carefully because it is quite possible that the richer sections of society are deprived of their incomes but the poor do not gain anything These two questions, though put separately, are virtually one in spirit and would be dealt with simultaneously in what follows

A careful analysis of the various provisos of the present budget shows that it provides neither impetus to economic growth nor the expected job opportunities for the unemployed and the underemployed. Rapid economic growth requires that adequate ecouragement should be given to private investors and that the resources which are transferred from the private to the public sector are invested in the most productive activities. The same measures would be conducive to the expansion of job opportunities for the people, provided the new investment is not geared to highly capital-intensive technology But the fiscal measures envisaged in the budget do not seem to have pursued this logic.

Instead of granting any concession or exemption, the Finance Minister has withdrawn many of the incentives enjoyed by the corporate sector so far. The increase in surtax on company profits, withdrawal of 'tax holiday' and other exemption enjoyed by new industrial undertakings and the removal of many industries from the priority list would act as disincentives. Sluggishness in the capital market is bound to follow. So, not much can be expected from the private sector with regard to increase in investment and generation of employment opportunities. The Finance Minister's hope that withdrawal of development rebate from 1973-74 onwards will quicken the investment in the private sector is unfounded. For, the time provided for this purpose is very short; it is likely to be consumed in the process of planning investment and procuring licences mainly because of our government's inefficient administrative machinery. Where is the incentive for the private investor to hasten the investment activities?

The expenditure proposed in the revenue account of the budget is of the order of Rs 1,724.43 crores. Out of this Rs 1,261.41 crores i.e. about 73.2 per cent will be spent on nonproductive sectors such as debt services, administrative services and social and development services. The multipurpose river scheme, public works and transport and communication, which may be considered to be conducive to the development of infrastructure and expansion in production capacity and creation of more job opportunities, get only Rs 87.76 crores, i.e. only about 5.1 per cent of the total revenue expenditure. Even in the capital account these sectors have been allocated only 11 3 per cent of the capital expenditure, a major part of it is proposed to be spent on special development, defence and loans and advances. Thus the extent to which the present budget can accelerate economic growth, creat job opportunities for the unemployed and the underemployed masses, reduce income inequalities and bring socialism can easily be imagined. The budget obviously seems to have belied the promises made to the people.

If neither growth, nor employment opportunities nor reduction in income inequalities ensue, what will then be the outcome of this budget? It is quite clear that the richer community will be deprived of a part of its income and capital market will be dampened, affecting overall growth. Income inequalities will increase through the expansion of a rich community in the government sector. Some people will become poorer but no one will be the richer.

Soybean Supply & Capital Demand Functions

I. J. SINGH, J. S. SHARMA & R. N. PANDEY

Soybean crop which was for the first time grown by the Tarai farmers in Kharif 1968 has now been recognized as an important Kharif crop in this area. Soybean became so popular in Tarai that in 1969 Kharif season about 500 farmers grew this crop against about only 40 farmers in Kharif 1968. Area under soybean increased to about 8,000 acres in Kharif 1969, against only about 1,000 acres in Kharif 1968. During 1968-69 average soybean yield on Tarai farms increased from 11 quintals to 19 quintals per hectare.

Increasing soybean production in Tarai and in other parts of the country has made the industrialists interested in establishing soybean processing plant However, response to change in soybean prices is still not known which is necessary for taking realistic policy decisions by the government and the private organizations. This study assumes even more importence because maize and soybean are two important crops in the Tarai which compete for the scarce farm resources including land, labour and capital.

Studies have shown[1] that soybeen is profitable and less susceptible to natural hazards than hybrid maize. Although the productivity of capital is high on wheat farms[2], yet it is not known for soybeans. Moreover, the use of capital in the production of soybean will vary with change in its price.

The present study was under-taken with a view to fulfilling the following objectives:

1. To estimate the soybean production function and the productivities of various inputs, and
2. To estimate demand for capital and supply of soybeans.

Soybean production and supply and capital demand functions have been

estimated by using cross-sectional farm survey data. Input-output data on soybeans were collected from 180 farms for Kharif 1969. The area under soybeans on these farms ranged from 1.5 to 80 hectares and soybean yield varied between six to 24 quintals per hectare.

Since our objective was to estimate short-run soybean supply and demand for capital, only labour and capital inputs were used in the functional analysis. This means given the area under soybean cultivation, the opportunity within a season for farmers to adjust soybean output per unit of land area depends largely on labour and capital use. Since the production function is the foundation of output supply and resource demand functions, a production function of the following form was fitted to the data:

$$Y = aX_1^{b_1} X_2^{b_2} + u \quad \ldots \ldots \ldots (1)$$

Where Y = kilograms of soybean yield per hectare

X_1=mandays employed per hectare

X_2=rupees of capital used per hectare

a, b_1 and b_2 are regression coefficients and u is error term.

Keeping X_1 fixed around its geometric mean, the short-run supply function of soybean was derived from production function (1) with only X_2 as a variable factor. This supply function is given in equation (2).

$$Y = \hat{a}\,\frac{1}{1-b_2}\left(b_2 - \frac{Py}{Px_2}\right)^{\frac{b_2}{1-b_2}} \ldots (2)$$

where $\hat{a} = aX_1$

Py = price of soybeans in rupees per kilogram

Px_2 = price of capital (interest rate for six months in rupees per rupee).

The value of elasticity of supply estimated from equation (2) is, $Es = \frac{b_2}{1-b_2}$ and does not depend on the level and number of independent factors.

Like the supply equation, a short-run factor demand function derived from the production function (1) is:—

$$X_2 = \left(\frac{Px_2}{Py\ \hat{a}\ b_2}\right)^{\frac{1}{b_2-1}} \ldots \ldots \ldots (3)$$

where $\frac{1}{b_2-1}$ is the price elasticity of demand for capital.

The value of the coefficient of determination, R^2, in equation (4)

$$Y = 0.01606\, X_1^{.889498}\, X_2^{.381159} \quad \ldots (4)$$
$$(1.2341) \quad (3.0745)^*$$
$$R^2 = .8554$$

explains about 86 per cent variation in soybean production. Coefficient associated with variable X_1 was insignificant even at 10 per cent probability level. The implication of this finding is that *ceteris paribus* with increase in per hectare use of human labour, soybeans production will not increase significantly; b_2 coefficient attached to X_2 was significant at 5 per cent level of probability and indicates that 1 per cent increase in capital would increase soybean yield by about 0.38 per cent.

In terms of the marginal value productivity, the figure comes to about Rs 1.026. Assuming 9 per cent per annum interest for six months each additional rupee invested in soybeans production costs Rs 1.045. Further, the MVP of capital is not significantly different from its marginal cost. This implies that capital use by the soybeans growers in Tarai is optimal.

The supply curve (Figure 1) slopes upward at an increasing rate since the value of b_2 is between 0 and 0.5. The price elasticity of supply of soybean derived from estimated production function is .602 meaning thereby that

Fig. 1: SHORT-RUN STATIC SOYBEAN SUPPLY CURVE

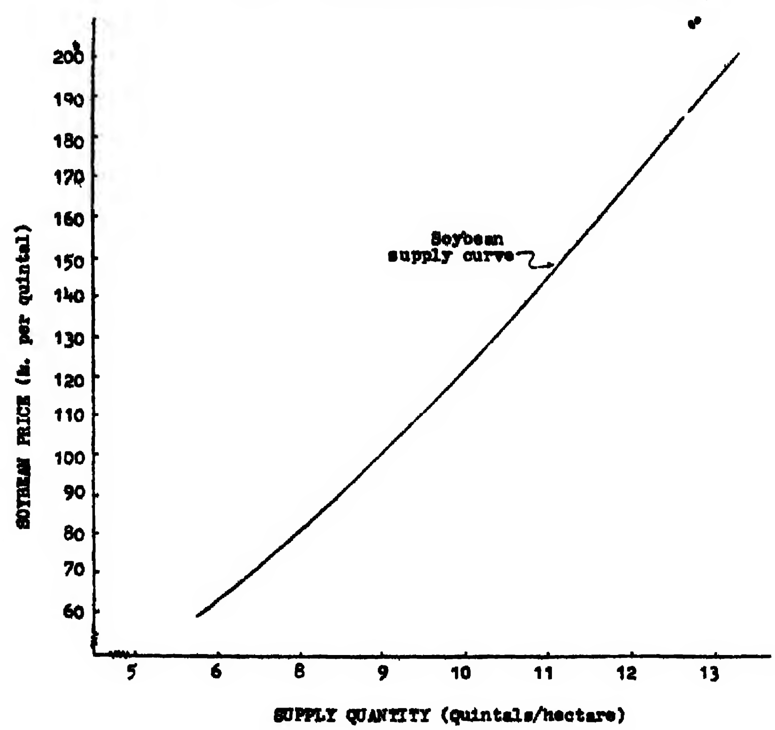
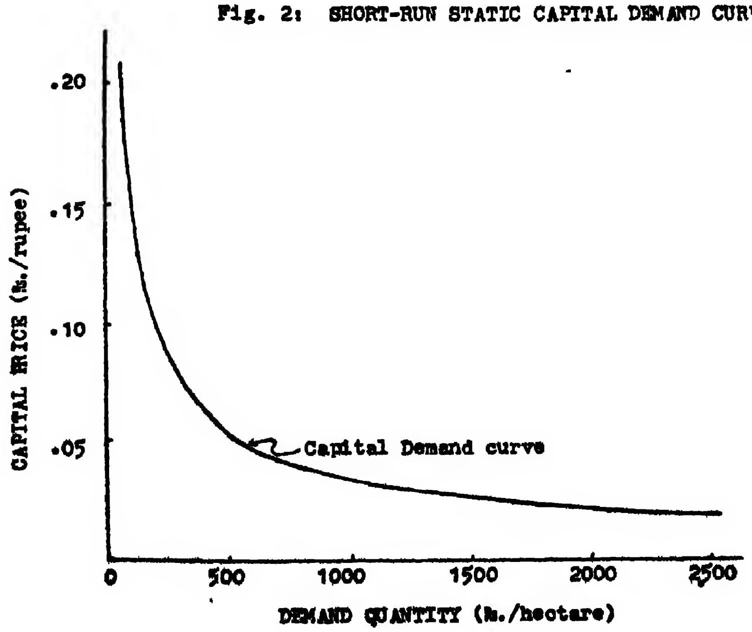


Fig. 2: SHORT-RUN STATIC CAPITAL DEMAND CURVE



*Values in parenthesis are 't' values.

1 per cent increase in price of soybean would increase its supply by 602 per cent and will be the same over all soybean prices The elastic nature of supply function indicates that soybean production is highly responsive to its price changes even in the short-run

The static demand function for capital (Figure 2, p 13) was derived by keeping price of soybeans constant at Rs 120 per quintal In the relevant price range, the demand for capital is highly elastic since its price elasticity of demand computed from the production function is —1 45 This means that 1 per cent increase in price of capital would decrease its demand by 1 45 per cent

Three main conclusions emerge from this study

(1) With the given technology in soybean production and input and product prices, the soybean growers in Tarai are using capital optimally However, there is excessive use of human labour on this enterprise

(2) The short-run price elasticity of supply of soybeans is 0 602 which shows that soybean production is highly responsive to change in its price

(3) The short run price elasticity of demand for capital in soybean production is — 1 45 indicating that at a given price of soybean, capital use in its production would change with the change in capital price

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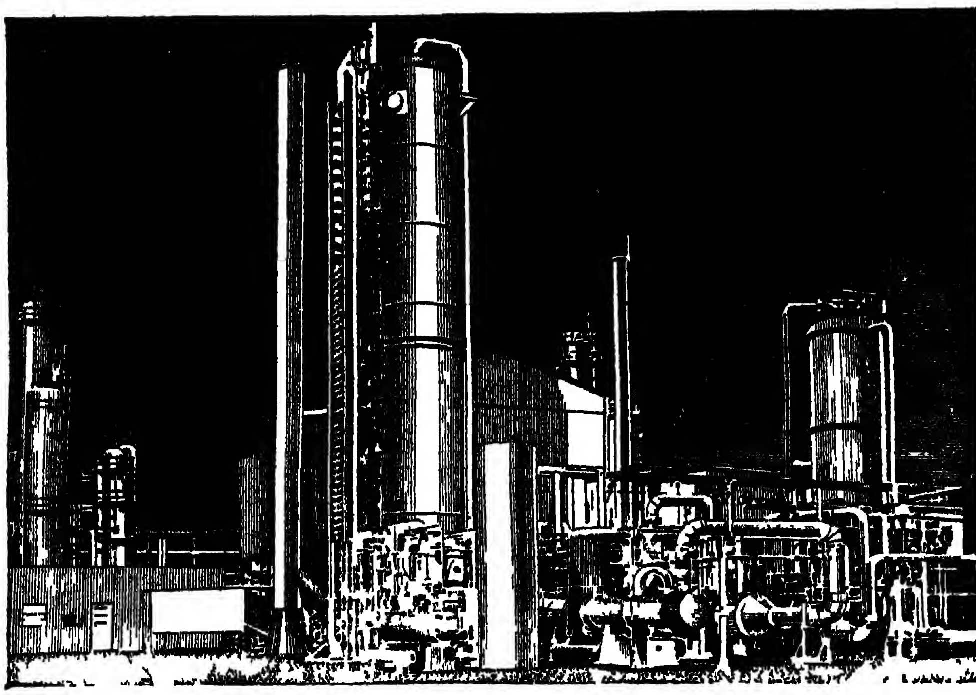
2 R N Pandey and I J Singh, "Model for Optimum Crop Combinations" *Eastern Economist* (September 18 1970)

3 MPV of capital — $b_3 \frac{Y}{X_3}$, where b_3 is the elasticity of capital, Y is the main yield per hectare and X_3 is the average amount of capital used per hectare in soybeans production



FROM THE PRESS GALLERY

Budget Debate Enters Second Phase

OUR PARLIAMENTARY CORRESPONDENT

NEW DELHI, Friday.

WITH THE Lok Sabha this week taking up for deliberation the demands for grants of individual ministries, the debate on the central budget entered the second phase. The Rajya Sabha concluded its current session today, but after creating a precedent by having separate discussions on a Presidential ordinance and the bill seeking to replace it. Hitherto, there used to be a combined discussion on such matters. The ordinance involved was the one issued by President last month reintroducing the preventive detention measure.

The ministry whose demands for grants were first taken up was the Ministry of Home Affairs headed by the Prime Minister, Mrs Indira Gandhi, herself. After a heated discussion, the demands of this ministry were approved by the House.

Law and Order Situation

During an acrimonious debate on these demands, the difficult law and order situation in several parts of the country, particularly in east India, figured prominently. The government was assailed for not being able to contain the situation. Another major point of criticism was the defections from one political party to another. Some opposition members accused the ruling party of engineering these defections. The need for a fresh look at the constitutional provisions in respect of centre-state relations was stressed by many. Among the other important points raised were: (i) the abolition of the privy purses and privileges of erstwhile princes; (ii) the talk by some ruling party men about the need of having "committed officials", (iii) the taking over by the Prime Minister of several portfolios which had nothing in common; (iv) the official language policy; (v) the growing unemployment problem; (vi) the danger of communal trouble following the tragic happenings in Bangla Desh; and (vii) increasing corruption. The leader of the Congress (O), Mr S.N. Mishra, saw in the conglomeration of several portfolios in the hands of Mrs Gandhi an attempt at "presidentialisation of the office of the Prime Minister . He regretted that decisions on economic policy were no longer taken in the Finance Ministry but by the economic experts, academicians and bureaucrats in the Prime Minister's secretariat. He also thought that the refashioning of the Planning Commission was an effort at making it responsive to the tune of the Prime Minister's office.

In a spirited reply, the Prime Minister assured the House that her government would not brook violence in any form, on any pretext anywhere in the country. She warned that "violence deliberately engineered by certain forces" would be put down with a heavy hand. She, however, recognised that socio-economic factors were also responsible for unrest in certain areas. With a view to overcoming this, she sought the co-operation of all parties. The government, she added, was taking steps to relieve socio-economic tensions.

Referring to the privy purses and special privileges of erstwhile princes, Mrs Gandhi reiterated the resolve of the government to abrogate them. The delay in taking this step, she said, was being caused by complicated procedures and several legal points raised by the Supreme Court in its recent judgement on the issue.

The Prime Minister denied that her party was engineering defections or it had a hand in toppling non-Congress (R) state governments. She promised to bring forth a legislation before the House to check defections from one political party to another.

Suggestion Rejected

Mrs Gandhi rejected the suggestion for a drastic review of the centre-state relations. The present flexibility in these relations, she thought, was quite helpful. The real problem to be tackled, she pointed out, was the fostering of the development of backward areas even though there was paucity of resources.

Talking of corruption in administrative machinery, Mrs Gandhi stressed that it could not be cured by "merely putting a sentinal on each person". An atmosphere discouraging corruption, she emphasised, had to be created. She revealed that the government was thinking of introducing legislation to curb channelisation of foreign funds to individuals and institutions except in commercial transactions.

The Prime Minister justified the increase in the police budget over the year on the ground that the responsibility of the police force had increased tremendously. She condemned the pernicious campaign against the Central Reserve Police and disclosed that the CRP responsibility had mounted because of the growing demand from a number of states for the deployment of this force in their areas. Mrs Gandhi, however, agreed with the critics that the performance of the police department left much to be desired. She dwelt at some length on the steps which were being taken for improving the functioning of the various administrative departments.

On the controversial issue of "committed officials" Mrs Gandhi quoted from a speech made by her last year to say tha t what she expected from officials was not any commitment to her or her party but to the fundamental principles in which the nation believed.

The Prime Minister decried the clamour for the formation of new states. Separate statehood, she pointed out, was no magic wand. The main problem was the economic development of the areas clamouring for separate statehood. Efforts, she assured, were being made to undo the past negligence.

Augmenting Power Supply

The demands for grants of the Ministry of Irrigation and Power were also passed by the Lok Sabha this week. During the debate on these demands, several members stressed the need for augmenting power supply in the deficit areas. The institution of a high-level enquiry into the continued loss and wastage of power at the point of transmission and distribution was stressed by several members. One member suggested that all future power stations should have a capacity of at least 200 MW. The stalemate on the Narmada project, it was urged, should be resolved expeditiously. The need for larger allocations for flood control was stressed by some members. Several members pleaded for the augmentation of irrigation facilities in their areas. A DMK member called for concerted efforts for linking the Ganges with the Cauvery.

Replying to the debate, the Minister for Irrigation and Power, Dr K.L. Rao, felt that there should be a review of the arrangements for electricity generation in the country. He envisaged an increasing role for a central authority in power generation through the setting up of huge power stations. He frankly expressed his dissatisfaction over the progress in the implementation of power schemes which at present were mostly in the hands of the states "The time has come to think seriously about this problem", he said.

Dr Rao assured the House that to achieve the modest programme of the

current decade to produce 52 million Kws of power, a large number of power schemes for each state had been drawn up. He agreed that in view of the technological advances, the new power stations should not be smaller than 200 MW capacity.

In regard to irrigation, Dr Rao expressed concern over the risng costs and told the House that a committee of engineers and economists had been appointed to go into the problem. He revealed that it now costs Rs 1,000 to irrigate an acre, as against Rs 750 five years ago. Dr Rao disclosed that a plan had been prepared to increase the irrigation potential from the present 25 per cent of the cultivated area to 33 per cent in 10 years.

The Minister pointed out that he had impressed upon the Krishna and Godavari water tribunals to expedite their reports as several good projects like Indravati were held up. He thought that inter-state disputes over allocation of river waters would almost disappear if the long-term project for linking the Ganges with the Cauvery fructified. The preliminary study in regard to this project, he revealed, had already been prepared. "We are trying to get a second opinion on it from UN experts. After their report is received, we will go in for detailed field information," he said.

Fears Allayed

Dr Rao dismissed fears expressed by a member that the Bhakra project would be silted up in 50 to 60 years. He conceded that silting was more than what was estimated earlier. The life of the project, he said, however was still reckoned at 150 years, as against the originally calculated 500 years.

The delinking of the discussion in the Rajya Sabha on the ordinance issued by the President last month re-introducing the preventive detention measure, from the debate on the Maintenance of Internal Security Bill, which sought to replace this ordinance did not achieve the results the opposition had in view; the delinking had been done at the instance of some opposition groups. The strategy of the opposition appeared to be that by this process, it could censure the government for the issuance of the ordinance and later on discuss the bill on merits. The opposition's motion disapproving the ordinance, by styling it as arbitrary, unnecessary and directed against political opponents of the ruling party, however, was lost by 124 to 49 votes. The Congress(O) group voted against the motion. Later on, the bill was passed by the Rajya Sabha. It has already been approved by the Lower House.

The reported shipments of military cargo by the United States to Pakistan despite the Bangla Desh holocaust created a furore in the two Houses. The agitated members denounced these shipments and charged the USA with abetting genocide in Bangla Desh. Some wanted the arms deal to be termed as a "hostile act". The clarification by the Minister for External Affairs, Mr Swaran Singh, that the government had asked the USA to intercept the Pakistani ships carrying American military cargo to Karachi failed to satisfy members. The explanation by the US government, referred to by Mr Swaran Singh, that no sales of military cargo to Pakistan had been authorised or approved after March 25 (when the Pakistani army cracked down on Bangla Desh) too did not prove convincing.

The Minister for Foreign Trade, Mr L.N. Mishra, declared in the Rajya Sabha that no rayon unit would be allowed to close down for want of rayon wood pulp. The State Trading Corporation through which the imports of this commodity had been canalised, Mr Mishra said, had reported that on June 1, most of the mills had sufficient stocks to last for more than six months. Only the tyre cord division of Century Rayons and the rayon filament division of Travancore Rayons and National Rayons had smaller stocks — sufficient for about three months. Efforts were being made to import additional quantities. Mr Mishra also stated that the government was anxious to bring down the prices of rayon and nylon in the country. He assured the House that an early decision would be taken on the Tariff Commission's report on rayon yarn.

State Budget Passed

The two Houses passed the budget as well as the Rs 500 crores Appropriation Bill. 1971-72, for the Punjab State (see details in 'Trade Winds' section.) This budget had been referred to Parliament by the Governor of the State, Dr D.C Pavate, following the dissolution of the state legislature a few days ago. Earlier, the two Houses had approved the Governor's action, although some members of the ruling party characterised it as hasty. A sizable provision of Rs 15.9 crores has been made in the Punjab budget for augmenting power supply in the state Another Rs 14 crores have been provided for multi-purpose projects.

The Minister for Education and Social Welfare, Mr S.S.Ray, informed the Lok Sabha this week that the government proposed to bring forth during the current session a comprehensive legislation making exports of antiques by any person other than government illegal. This was announced by the Minister in response to the "charge by several members during a calling attention motion that the government had been negligent long enough of its duty to protect ancient art treasures and temple sculptures from the depredations of international smugglers. The calling attention motion was provoked by the sensational disappearance of the life-size idol of lord Vishnu from a Chamba temple. It was alleged that this idol had been sold to an American buyer for Rs 50 lakhs.

The Rajya Sabha approved a bill seeking to raise the emoluments of the Deputy Chairman of this House and the Deputy Speaker of the Lok Sabha to those of Ministers of State. Hitherto these two offices were equated with the office of the Deputy Ministers.

The following information was made available in the Lok Sabha by various Ministers during the Question Hour.

Military Transport Planes : The prototype of the military freighter version of HS-748 is likely to be ready in the next two months. The question of the manufacture of this aircraft will be taken up when the tests are completed probably by January, 1972. The British aircraft designing firm Hawker Siddely is engaged in designing the modified version.

Aid to Nepal: A sum of Rs 31.99 crores has been given to Nepal during the past three years under the Indo-Nepal Economic Co-operation Programme.

India Electric Works: The government has decided to wind up India Electric Works Ltd, Calcutta. The factory has been closed over a year ago. A committee had been appointed to go into the affairs of the concern to see whether it could be reopened. After considerig the report of the committee, it has been decided to wind up the company. The workers of the factory have been paid their provident fund dues. Other payments are under consideration.

Test Reactor: The detailed designing of the fast breeder test reactor in collaboration with France is nearing completion. The construction of the reactor is expected to begin before the end of the year. The reactor will be fuelled with plutonium and enriched uranium. It will have molten sodium as the cooling agent.

Tapioca-based Protein: The Kerala government is considering a proposal to set up an industrial unit to manufacture protein-rich foods, industrial starches, dextrose and glucose using tapicoa as raw material.

Oilcake Exports : The government had decided to set up an export promotion council for oilseeds, oils and oilcakes. Despite scarcity of oilcakes, particularly in Maharashtra, exports of this commodity are encouraging.

WINDOW ON THE WORLD

Monetary Co-operation and European Unity

JOSSLEYN HENNESSY

LONDON

I

W. GERMAN UNILATERAL FLOAT

EUROPEAN MONETARY integration was clearly among the casualties of the currency upheavals in May Whether the injury was fatal, or whether recovery will follow, is not clear yet Probabilities favour a recovery however if only because progress towards European integration in a wider sense would be stopped for a long time if integration on the monetary front were abandoned For the whole rationale of this endeavour is that it is the only important business facing the European Community now that it has politically unifying implications

The currency changes of the weekend of May 8 were precipitated by inflows of dollars into several countries chiefly West Germany, and the West German government saw no way of preserving its domestic monetary policy at the existing exchange rate The problem was not so much the rise in foreign Deutschmark deposits with German banks (against which there existed various defences) as the borrowings by German firms from foreign banks, over which Bonn and Frankfurt have virtually no control It was felt that either revaluation or setting the mark free to float would deter this influx but that a floating rate would be more effective

Unilateral Action

Late in April Dr Schiller suggested that the Six either float or revalue en bloc He must have known that this would be unacceptable to France and Belgium and therefore one must interpret this proposal as an attempt to cloak in pro-European respectability a unilateral action which he was going to take whatever happened Suggestions by the European Commission that West Germany deal with its problem by imposing exchange controls on foreign capital transactions were brushed aside

Meanwhile, a date had been fixed for the first steps towards consolidation of Community members exchange rates The proposed narrowing of exchange rate margins of members day-to-day currency fluctuations vis a-vis each other was given a starting date June 15 As any such co-ordination is incompatible with free fluctuation by any one currency, the West German action postponed this step toward monetary integration (or the ex change rate aspects of that programme) until such time as the West Germans (and Dutch) return to fixed parities

Europe was therefore presented with the intriguing spectacle of West Germany whose political attraction to unifying programmes acted so as to jeopardise the monetary integration plan while France which has come to have grave political doubts about it was placed (not for the first time) in a position of Community rectitude and was able to proclaim with unblemished righteousness that it would partake in no further discussions on the subject of monetary integration until the West Germans and Dutch had ended the regime of currency float

France s Fears for Sovereignty

Until the May debacle monetary integration had jelled a good deal further since we reported on it a year ago Although in fact much has been done one hesitates to say that great strides have been made because one of the facts that has emerged is that France or at least the present French government is far less keen on rapid progress in this area than French participants in the discussions were encouraging everyone to think a year ago Although France, and especially French bankers and probably finance ministry officials, want to see progressive monetary integration M Pompidou s government is reluctant to make commitments which would surrender French sovereignty to anything resembling supranational institutions

The ministerial meeting of February 9 1971 reached the usual sort of Community compromise that dance (one step back and two steps forward) which the Six have now ritualised as their natural mode of progress Agreement to abrogate the right to alter exchange rates among members, and to establish a centralised monetary policy which together embrace what Community officials generally mean when they speak of a common currency are now postponed to the later stages, along with the Community system of central banks which will then be set up But progress towards these ends is nevertheless to begin forthwith

A Cautious First Phase

During the first phase to December 31 1973, central banks will co-operate to reduce the permissible margin of day to-day exchange rate fluctuations of their currencies so that the maximum-spread between the strongest and weakest EEC currencies is narrowed to 1 2 per cent (with a maximum variation of one per cent either side of parity vis-a-vis the dollar permitted under IMF rules the maximum spread between highest and lowest EEC currencies could theoretically be as great as four per cent at present) This is regarded as a step towards a common currency on the exchange rate front On the other main front centralisation of monetary and other demand -management policy it was agreed that (a) monetary and credit policies should be co-ordinated, with 'guidelines' on bank liquidity credit terms and interest rates and (b) the council of ministers would scrutinise and adopt guidelines for the short-term economic policies to be followed by each member country, including national budgets at draft (not final) stage

A medium-term fund to assist with balance of payments difficulties was also set up This was parallel with the short-term fund established in 1970, both as to total amount ($2 000 million) and the limits to each member s potential obligation ($600 million each from France and West Germany $400 million from Italy and $200 million each from the Netherlands and Belgium-Luxemburg union)

But the fund was established (if only arguably in embryo) without any progress towards centralisation of institutions and possibly little towards centralisation of control Therefore West Germans insisted on an escape clause which would terminate the arrangement by the end of 1975 if agreement cannot be reached on the later stages of integration by then Discussion would begin in 1973 but Stage one arrangements could be extended to the end of 1975 at the furthest Commission officials like to refer to this agreement not as an escape clause but as a safety lock' believing that it will ensure that Stage-two will

see the customary two steps forward without the backward step.

II

POLITICAL UNION

None of the events of the past year invalidate the view that European monetary integration makes sense only as a step towards establishment of a political union of western Europe. Moreover, some of what has been agreed goes beyond what was generally envisaged for Stage-one a year ago: it was agreed in February, for example, that the guidelines for short-term economic policy which the Council is to adopt are to be followed by each member state. If this is taken literally (which can be a mistake in EEC matters) these guidelines are not merely recommendations for policy, they are mandatory.

Although the subject area is generally referred to as monetary integration, both the Werner report and the Commission memorandum that followed it are explicitly about economic and monetary union. The Werner report points out that it includes not only monetary matters, and budgetary policy, but also harmonisation of taxes (at any rate, in direct taxes, corporate taxes, and taxes affecting capital transactions, which would presumably include stamp duties as well as withholding taxes), policies towards capital markets, regional policy, structural policy towards industry—in fact, every important matter in an economic minister's brief except direct taxation on individuals and the composition of public expenditure. But in so far as it affects industrial competitiveness, even this becomes a Community matter and is already becoming so. The Commission recently objected to certain regional aids to industry in Belgium on the ground that some of the areas so assisted were not sufficiently depressed to qualify

Federation the Logical Outcome

Indeed, the programme outlined is, in the end, probably compatible only with a federal union, not with a confederation of semi-independent states. Although both the Werner report and the Commission memorandum were at pains not to choose between the two conceptions, it is difficult to contemplate a situation lasting for long in which member states, forbidden to alter their exchange rates or take independent action departing in any large degree from the Community 'guidelines', or from harmonised tax rates, yet suffering the divergences of industrial competitiveness that European countries always experience (including EEC countries), could go on incurring the political debts entailed in transferring large sums of money across frontiers in order to relieve the ensuing distress, without putting the execution of such policies and transactions into the hands of an institution which would not be dominated politically by the creditor states. This latter outcome is all the more likely if it is assumed that West Germany and the Netherlands, both inclined to favour federal solutions, continue to be the chronic creditors. The debtor states would then have the incentive to federate arising from a wish to avoid piling up political indebtedness to the West Germans and the Dutch

This is where France's position in economic and monetary integration becomes awkward. Policy in France is largely determined by gaullist politicians and a few gaullist civil servants, who are anti-federal (probably echoing grassroot opinion), and a body of federalists which, while weak in the NPF (the gaullist party) is strong in the civil service, academic life and the media. European integration has therefore a political momentum, even in France, which the late President de Gaulle could not stop when he tried to in 1965, and which M. Pompidou could not halt even if he wanted to. Moreover, the possibility that western Europe can somehow become a monetary power equal to the USA or at least reduce the monetary servitude of European countries vis-a-vis the USA, appeals even to gaullists. There are also those bankers and officials who see monetary integration as a way of stamping out France's chronic tendency towards inflation, simply by giving up the power to do inflationary things.

Yet a country that tends to inflate, and of necessity correct this by devaluation, cannot readily give up the right to devalue. It would first have to be assured of adequate financial resources from other members. But securing such resources would probably mean the loss of the political leverage that France has hitherto enjoyed over West Germany, and eventually (in all likelihood) supranational institutions leading to federalism. There can be more than one judgement as to what France will ultimately choose to do about this but it seems probable that, subject to a return to fixed parities, France has mounted an escalator from which it can hardly step off, even though it can delay reaching the top for some time

III

ENTER BRITAIN

Into this scene enters Britain. The UK has a history of declining international competitiveness worse than France's, and although the UK's long-term record on price and wage inflation is slightly better than that of France, it has been worse during the past two years.

Two important conclusions follow. First, the UK, even more than France, must consider whether the arrangements for potential deficit countries are likely to be adequate on terms not too politically disadvantageous, from the moment when exchange rate changes are ruled out among members. (A change of all member states' rates en bloc, pro rata, would still be permitted; however, the prospects of a block devaluation are so remote as to be not worth considering). Second, the UK must be regarded as a rival to France for the credit and goodwill of the other existing member states.

On the first problem, concern must be felt over the low emphasis which both the Werner report and the Community's actions so far place upon the need to assist financially any member countries suffering a prolonged foreign exchange loss, the correction of which Community rules prevent. That the common fund is only \$2,000 million (or \$4,000 million, counting the short-term stabilisation fund, which is to counter hot money flows) may not matter greatly — even though the UK alone ran up short-term and medium-term debts during the late 1960s in excess of \$6,000 million, and although the funds available would be less than the nominal total, if another member state were also in deficit. After all, the process is only beginning, and the amounts will be increased, though presumably on terms suitable to the probable creditor countries.

Werner Committee and EEC

The greater source of concern should lie in the complacent assumptions inherent both in the Werner report and in various published thoughts from the Commission, that in the final stages of integration, if not before, the Community will have become so like a unitary nation-state that more or less painless adjustments will come about automatically. "Goods and services, people and capital will circulate freely and without competitive distortions, without thereby giving rise to structural or regional disequilibrium", according to one astonishing passage in the Werner report, which adds later that "only the global balance of payments of the Community vis-a-vis the outside world is of any importance". Financial transfers between member states are seen as part of the process of correcting disequilibria, but greater precedence is given to mobility of factors of production: movement of labour from depressed member states to prosperous ones (despite language barriers) and investment

by the latter countries' firms in the former countries (despite the notable absence of large-scale private investment across Community frontiers so far).

One gets the impression that the problems of disequilibrium in a Community of varied languages and customs, and of diverging tendencies in international competitiveness (differences that would be all the greater in a ten-nation Community than in one of six) are being under-estimated. This is evidence also by the terms of the medium-term fund: drawings are repayable over two to five years. This kind of arrangement can hardly be taken seriously as a device for correcting fundamental disequilibria in place of exchange rate changes.

Sources and acknowlegements: This is the first of two articles summarising, by special arrangement, an exclusive report in depth in the latest issue of *Economic Trends*, published quarterly, to subscribers only, by the Economist Intelligence Unit, (27 St. James's Place, London, S.W.1.) but the EIU is responsible neither for the emphasis of my summary, nor for my comments based on a variety of sources.

Holland's Economy in 1970

THE STRAIN on the economy of Holland became more acute in 1970. Whereas in 1969 it was foreign demand which had contributed to the boom, in 1970 it was the increase in domestic spending which claimed a greater part of the production capacity. This was particularly so in the cases of private expenditure, which increased in volume by 6.6 per cent, and industrial investment in fixed assets, which is estimated to have have grown in volume by 12 per cent.

There are various signs which indicate that the Dutch economy had reached the limits of its capacity in 1970. This contributed in the course of the year to some slackening in export growth while on the other hand it tended to stimulate imports. The unfavourable effect of this situation on the balance of trade and of payments was accentuated by the fact that increases in import prices exceeded the rise in the prices of Dutch export products. As a result, the 1970 balance of payments on current account showed a deficit (by transactions) of fls. 1,750 million.

By the end of 1970 Holland had 13.12 million inhabitants, indicating a rise of 1.25 per cent over 1969.The 13th million citizen was born in the course of the year. During the last ten years the population increased by 12 per cent, from 11.7 to 13.1 millions. The population density is currently 388 persons for every square kilometre.

Employment Position

The number of persons employed in 1970 was about 4.54 millions. Of these, 330,000 (7.3 per cent) worked in agriculture and fishery, 1.87 millions (41.2 per cent) in industry, 1.93 millions (42.5 per cent) in the services sector, and 408,000 (9 per cent) were in public services (excluding the fighting forces).

The growth of the national product is estimated at six per cent in terms of volume as against five per cent in 1969.

Industrial production rose by eight per cent against 10 per cent in 1969. Production per employee in industry went up by seven per cent (8.5 per cent) in 1969. The largest production increase was in oil refining (19 per cent), followed by the metal industry (12 per cent), public utilities (12 per cent) and the chemical industry (11 per cent).

Primary Commodities

The production figures for a number of primary commodities were as follows: coal 4.3 million tons (—22 per cent, on account of the systematic reduction of coal production), crude oil 1.9 million tons (—5 per cent, owing to the gradual depletion of the oilfields), natural gas 31,700 million cu. m. (+41 per cent), salt 2.9 million tons (+7.5 per cent) steel five million tons (+6.4 per cent) and pig iron 3.6 million tons (+9.1 per cent).

In the construction industry the number of dwellings completed in 1970 (117,284) was 4.8 per cent down on the 1969 production (123,117). The value of the industry's total production was fls 9,400 million (+11 per cent), the share of dwelling being fls. 4700 million and that of industrial buildngs fls. 2,300 million. Production in road construction and hydraulic engineering works amounted to fls. 3,000 million.

Good progress was made with the Delta Works, the project designed to protect the south-west of Holland against flooding. The Haringvliet was closed by a 4.5 kilometre dam, and the gigantic sluice complex incorporating this dam became operational. Work in the Brouwershavensche Gat, which will eventually be crossed by a dam 5.6 kilometres in length, reached such a stage that the closure could commence in April 1971. Three barrages were taken into service as part of the plan to canalise the Rhine, one of the objectives of which is to improve the supply of drinking water to northern Holland.

In Amsterdam, work began on the construction of the first underground line, 18 kilometres long, which forms part of a planned network of four lines to all parts of the Amsterdam agglomeration.

Agricultural Sector

In the agricultural sector, grain production showed a fall of 15 per cent to 1.36 million tons. The yield of eating and factory potatoes rose by 14 per cent to 5 million tons while the sugar and fodder beet crop fell by 6.4 per cent to 5.5 million tons. The already high milk production rose further to 8.2 million tons (+3.3 per cent). Yield per cow was 4,290 kg (+3 per cent). The production of butter, cheese and milk powder rose by 7.9 per cent, 3.3 per cent and 9.7 per cent respectively to 120.9, 271.9 and 155.7 million kg. Production of condensed milk dropped slightly to 495.8 million kg.

The auction turnovers of fruit and vegetables totalled fls. 1,220 million (+3.6 per cent); 1.37 million tons of vegetables (+2.9 per cent) and 555,000 tons of fruit (+22 per cent) were supplied. The quantity of fishery products brought in fell by 10 per cent to 252,000 tons, although the value of the catch rose by 15 per cent to fls. 277 million.

In the transport sector figures were once again up all along the line. Total transhipment of goods in Holland's seaports increased by 23 per cent. The volume of interational-inland shipping rose by 1.6 per cent, and that of international road transport by 14 per cent. The number of passengers carried by the Netherlands Railways rose by eight per cent and the amount of goods by five per cent. The quantity of crude oil transported through the pipe line from Rotterdam to the German Federal Republic rose from 21.1 to 24.5 million tons, an increase of 16 per cent.

Traffic figures for Schiphol Airport were once again higher than ever before. The number of passenger arrivals and departures rose to 5.2 million (+19 per cent) while freight traffic at the airport increased to 175 million kg (+11 per cent) and the amount of mail handled went up by five per cent to 7.5 million kg.

Transport by private cars grew appreciably in 1970, 432,000 (+24 percent) new cars and station wagons being added to the national fleet of cars. With 2.6 million passenger cars there is now one car to every five inhabitants.

The Dutch merchant fleet shrank further to 3.955 million g.r.t. (—3.3 per

cent). This was chiefly due to the reduction in the number of passenger and small cargo boats.

No less than 31,867 and 7,986 seagoing ships entered the ports of Rotterdam and Amsterdam respectively. Goods transhipment in the port of Rotterdam rose by 17.8 per cent to a record level of 215 million tons. In the port of Amsterdam goods transhipment rose to 23.1 million tons (+17 per cent). Container transport in the Dutch ports by seagoing ships increased by 11 per cent to over 310,000 containers.

Dutch foreign trade reached a record level of fls.91,100 million (+20percent) in 1970. Imports rose by 22 per cent to fls. 48,500 million, and exports by 19 per cent to fls. 42,600 million. The balance of trade deficit amounted fls. 5,885 million, fls. 2,162 million higher than in 1969. The percentage cover of imports by exports fell three points to 88. This unfavourable trend was further accentuated by a worsening in the terms of trade. The price level of imports increased by seven per cent while the prices of exports rose by four per cent.

The growth in exports was partly due to increased exports of natural gas (+47 per cent), crude oil and oil products (+60 per cent), iron and steel (+17 per cent), chemical products (+17 per cent), machinery and equipment, including electrical (+15 per cent), metal wares (+18.5 per cent) and transport material (+8 per cent). Exports of agricultural and horticultural products rose by 18 per cent. The increase in exports of Dutch dairy products was particularly high, being 36 per cent.

Trade with EEC

Trade with the countries of the European Economic Community remained important; EEC countries accounted for 55.9 per cent of Holland's imports and 62 per cent of her exports went to them. The chief trade partners remained the Federal Republic of Germany and the Economic Union of Belgium and Luxemburg, followed by France and the United States.

On the basis of provisional figures, the 1970 balance of payments on current account showed a deficit (by transactions) of fls. 1,740 million. The current account had been virtually in balance in 1969. The debit was entirely caused by the balance of trade, largely as a result of the worsening in the terms of trade. This increased deficit was offset by a rise in the surplus in invisible trade; the results gained by transport and travel were better. As a result of the very extensive inflow of capital, there was a surplus of about fls. 2,500 million in the total account of the balance of payments.

The gold and foreign exchange reserves of the central bank stood at fls. 9,682 million at the end of 1970, as compared with fls. 7,496 million at the end of 1969. Against this rise of fls. 2,186 million there was a fall of fls. 429 million in the foreign exchange reserves of the commercial banks. Holland's position vis-a-vis the International Monetary Fund improved to the tune of fls. 361 million. Total national gold and foreign exchange reserves (Nederlandse Bank +IMF+ commercial banks) amounted to fls. 12,373 million at the end of 1970 (fls. 10,255 million at the end of 1969).

Reduced Interest Rate

The rate of interest in the capital and money markets remained high during the first half of 1970. The second year brought a distinct tendency towards reduced rates. Exceptionally high interest rates such as in the autumn of 1969 did not occur. The cause of the easing of the situation on the capital and money market was the inflow of foreign capital.

The total actual amount of new issues in 1970 was fls. 3,037 million (fls. 2,753 million in 1969). Of this, bonds accounted for fls. 2,995 (fls. 2,568) million and shares fls. 42 million (fls. 185 million). Of the bonds, fls. 1,091 (fls. 1,320) million were issued by the government, fls. 829 (fls. 820) million by the Bank for Netherlands Municipalities (semi-government) and fls. 1,075 (fls. 427) million by private enterprise and institutions. In 1970, as in 1969, no foreign guilder loans were placed.

The call money rate averaged 6.47 per cent in 1970 as against 5.98 per cent in 1969. The average market discount for three-month treasury bills was 5.97 per cent (5 55 per cent). The interest rates of the Nederlandse Bank remained at the same level throughout 1970, having been raised by 1/2 per cent to 6 per cent on August 4, 1969.

Mortgage rates for immovables averaged 8.01 per cent (7.05 per cent); the yield from perpetual government loans rose to 7.06 per cent (7.02 per cent).

The volume of money in circulation (cash and cheque money) rose from fls 23,200 million at the end of 1969 to fls. 25,900 million at the end of 1970.

The increased amount of capital offered, particularly from abroad, enabled the government to cover a greater portion of its financing requirements on the capital market.

The wage determination law, which rounded off the transitional phase from a controlled to a free wages policy, came into operation in the spring of 1970. This law places the responsibility for conditions of employment on the contracting parties, although the government retains the right to intervene should the socio-economic interest so require. At the end of 1970 a wage restraint measure was introduced to curb the upward trend in wages.

The rise in the wage costs per worker (including social charges) was 12.5 per cent as against 11.3 per cent in 1969.

The working population's share in the national income (the ratio between wage income per worker and the national income per head of population) rose to 79.5 per cent.

The total increase in wage costs exceeded the average rise in productivity (5.5 per cent) by seven per cent, which is slightly less than the preceding year when the increase in wage costs exceeded the rise in productivity by 7.5 per cent.

The price index for family consumption (including private insurance) showed a rise of 4.4 per cent as against 7.5 per cent in 1969. Price rises affected among other things agricultural products, fish and fish products from agricultural basic materials, industrial products, medical care, insurance, taxes, rents and private services.

Real Income Increases

Since the rise in prices was less than the rise in wages, the real income of most of the working population increased by 5.8 per cent in 1970 as against only 1.5 per cent in 1969.

The policy of price control was continued. A costing decree came into force which permits only certain price rises to be passed on.

The gross national product at market prices, which was fls. 102,300 million in 1969, is estimated at fls. 113,400 million for 1970 (+10.8 per cent).

Consumer spending by the Dutch population showed an increase. In terms of volume, total consumption was 6.6 per cent up in relation to 1969; the rise per head of population was 4.7 per cent.

Savings continued to rise, and the balances with the Dutch savings rose by fls. 2,745 million (+10 per cent) to fls. 29,635 million. There was an increase of fls. 827 million (+17 per cent) to a total of fls. 5,612 million in savings account balances with the commercial banks.

New policies totalling fls. 18,100 million were taken out with the life assurance companies, an increase of six per cent.

The savings ratio (savings expressed as a percentage of the national income at market prices) worked out at 21 per cent compared with 21.5 per cent in 1969.

• •

Gross investments in fixed assets by private enterprise were fls. 18,000 million in the first nine months of 1970, as against fls. 15,500 million in the corresponding period of 1969. This represents a rise of 16 per cent. Government investments rose by seven per cent from fls. 3,600 million to fls. 3,850 million.

In 1970 a tendency was noticeable in Dutch business and industry aimed at rationalisation and increase in scale. A number of enterprises were forced to close down or reduce their labour force. Interim reports on the results ranged from favourable, less favourable and definitely unfavourable, on the basis of which profit forcasts are generally more on the pessimistic side than in 1969.

Trends Towards Mergers

There was a strong trend towards concentration during 1970, as in the preceding year. Over 450 mergers, takeovers, co-operation arrangements etc. occurred, many on an international scale. Examples of major mergers were the amalgamation of N.V Nederlandse Kabelfabriek with Philips and the take-over of N.V. Billiton Maatschappij by the Royal Dutch/Shell Group.

In the years 1945-1970, 677 subsidiaries of foreign industrial concerns were established in Holland and 352 enterprises were registered as participating or co-operating with Dutch enterprises. At the end of 1969 these figures were 608 and 328 respectively.

Despite considerable arrivals of immigrant workers the labour market remained strained. The registered male labour reserve fell by 10,600 to 55,100 in 1970, and the demand for male personnel rose by 11,200 to 84,300.

The reserve averaged 45,100 (1969: 54,300) and the demand for male personnel 91,600 (1969:73,100). At the end of 1970 the number of unemployed was 1.6 per cent (1969: 1 9 per cent) of the male working population. The number of unfilled vacancies for male personnel was 2.9 per cent (1969: 2.5 per cent). The tightness on the labour market was once again greatest in the west of the country.

[1 Dutch Guilder (fl)=Rs 2.07.]

PUNJAB NATIONAL
Balance Sheet as at

1969	CAPITAL & LIABILITIES	Rs. P.	Rs. P.	Rs. P.
Rs.	1 PAID-UP CAPITAL:			
2,00,00,000	(wholly owned by Central Government)			2,00,00,000.00
	2. RESERVE FUND AND OTHER RESERVES :			
3,98,40,656	(i) Reserve Fund ..		4,41,40,655 94	
5,00,000	(ii) Development Rebate Reserve		1,50,000.00	
1,23,78,000	(iii) Other Reserves		1,27,28,000.00	
5,27,18,656				5,70,18,655.94
	3 DEPOSITS AND OTHER ACCOUNTS :			
1,71,01,35,701	Fixed Deposits		1,94,05,35,935.37	
1,38,13,12,201	Savings Bank Deposits		1,63,52,40,143.58	
81,36,67,829	Current Accounts, Contingency Accounts etc. (including Staff Housing Fund)		1,01,70,71,093.43	
57,57,156	Employees' Security Deposits held by the Bank itself		44,32,769.38	
3,91,08,72,887				4,59,72,79,941.76
	4 BORROWINGS FROM OTHER BANKS :			
12,67,583	(i) In India		26,70,925.01	
Nil	(ii) Outside India		Nil	
12,67,583				26,70,925 01
	Particulars :			
8,50,000	(i) Secured by part of Government Securities lodged	25,85,017 93		
4,17,583	(ii) Unsecured	85,907 08		
6,08,65,635	5. BILLS PAYABLE			6,85,04,522.15
	6. BILLS FOR COLLECTION BEING BILLS RECEIVABLE AS PER CONTRA :			
26,77,53,212	(i) Payable in India		31,30,70,179.86	
1,34,68,694	(ii) Payable outside India		4,05,38,131.09	
28,12,21,906				35,36,08,310.95
4,32,69,46,667	Carried over			5,09,90,82,355.81

BANK

31st December, 1970

1969	PROPERTY & ASSETS			Rs. P.	Rs. P.
Rs.	1. CASH:				
33,17,85,858	In hand and with Reserve Bank and State Bank of India including Foreign Currency Notes				36,75,07,745 88
	2. BALANCE WITH OTHER BANKS :				
		Current Account	*Deposit Account*		
2,41,08,936	(i) In India	1,04,95,900.81	—		
1,17,28,769	(ii) Outside India ..	65,20,626.40	—		1,70,16,527.21
3,58,37,705					
12,60,00,000	3. MONEY AT CALL AND SHORT NOTICE				2,55,00,000.00
	4. INVESTMENTS AT OR BELOW COST :				
1,19,01,08,714	(i) (a) Securities of the Central & State Governments including Treasury Bills of the Central & State Governments			1,14,59,59,696 10	
13,24,15,315	(b) Other Trustee Securities			20,09,43,260 50	
1,32,25,24,029	(ii) Shares :			1,34,69,02,956 60	
		Fully Paid-up	*Partly paid-up*		
3,27,000	Preference	3,28,000.00	Nil		
1,31,80,163	Ordinary	66,04,687 40	61,25,000.00	1,30,57,687.40	
1,35,07,163					
38,20,076	(iii) Debentures of Indian Joint Stock Companies			37,75,388.00	
	(iv) Other Investments :				
4,50,000	Contribution to initial capital of Unit Trust of India ..			4,50,000 00	
Nil	(v) Gold			Nil	1,36,41,86,032.00
1,34,03,01,268					
	5. ADVANCES :				
	Other than bad and doubtful debts for which provision has been made to the satisfaction of the Auditors :				
	1. Loans, Cash Credits, Overdrafts etc. :				
1,87,34,64,890	(i) In India	2,49,22,60,636 01			
Nil	(ii) Outside India	Nil		2,49,22,60,636.01	
1,87,34,64,890					
	2. Bills discounted and purchased (excluding Treasury Bills of the Central & State Governments)				
37,06,97,196	(i) Payable in India	50,75,30,968 49			
2,11,50,390	(ii) Payable outside India	3,19,03,200.56		53,94,34,169 05	3,03,16,94,805.06
39,18,47,586					
2,26,53,12,476	(Particulars of Advances—as per Schedule attached)				
4,09,92,37,307	Carried over				4,80,59,05,110.15

PUNJAB NATIONAL

Balance Sheet as at

1969	CAPITAL & LIABILITIES	Rs. P.	Rs. P.	Rs. P.
4,32,69,46 667	Brought forward			5,09,90,82,355.81
	7 **OTHER LIABILITIES**			
13,62,54,920	(i) Branch Adjustments		16,38,31,571 02	
4,36,085	(ii) Dividend and Interest on Advance Calls unclaimed		4,14,253 45	
16,72,216	(iii) Rebate on Bills Discounted ..		19,71,852 98	
13,83,63,221				16,62,17,677 45
58,35 03 787	8 **ACCEPTANCES, ENDORSEMENTS AND OTHER OBLIGATIONS AS PER CONTRA**			61,62,68,315 46
	9 **PROFIT AND LOSS ACCOUNT**			
75,708	Balance of profit of the Punjab National Bank Ltd., as on 31st December, 1968			
1,58,70,682	Profit for the year brought from the Profit & Loss Account (Previous year's figure includes Rs 72,92,948 of the Punjab National Bank Ltd for the period 1-1-1969 to 18-7-1969)		2,14,00,886 49	
84 00,000	*Less* (i) Provision for Bonus to Staff .	1,10,00,000 00		
45,68,656	(ii) Transferred to Reserve Fund in terms of Sec 3(6) of the Banking Companies (Acquisition & Transfer of Undertakings) Act, 1970 . .	43,00,000 00	1,53,00,000 00	
1,29,68,656			61,00,886 49	
29 77,734	Balance being amount to be transferred to Government in terms of Section 10(7) of the Banking Companies (Acquisition & Transfer of Undertakings) Act, 1970 . .			61,00,886 49
	10 **CONTINGENT LIABILITIES**			
64 56 463	(i) Claims against the Bank not acknowledged as debts (See Note 1) . .		59,66,784 37	
11 818	(ii) Guarantees given on behalf of Officers		11,818 14	
34,87,65 455	(iii) Guarantees given on behalf of others		37,85,54,442 86	
Nil	(iv) Bills of Exchange rediscounted		Nil	
18,84,31 754	(v) Outstanding Forward Exchange Contracts		17,99,45,513 52	
63,75,000	(vi) Liability for calls on partly paid shares		63,75,000 00	
5,05,17,91,409			TOTAL	5,88,76,69,235 21

Notes 1 A writ petition has been filed in the High Court of Delhi by the Punjab National Bank Ltd and its three shareholders in November 1970 claiming payment of ad-interim dividend of Rs 24 lacs sanctioned by their Board of Directors on 16-7 1969, the said claim has not been acknowledged as debt and has not been included in the amount of Contingent Liabilities

Annexure to our report of date

A F FERGUSON & Co
M C BHANDARI & Co
S VAIDYANATH AIYAR & Co.
Chartered Accountants

D C. GUPTA
Chief Accountant

New Delhi
Dated : JUNE 28, 1971

BANK

31st December, 1970

1969	PROPERTY & ASSETS			
4,09,92,37,307	Brought forward			4,80,59,05,110 15
	6. **BILLS RECEIVABLE BEING BILLS FOR COLLECTION AS PER CONTRA :**			
26,77,53,212	(i) Payable in India		31,30,70,179 86	
1,34,68,694	(ii) Payable outside India		4,05,38,131.09	
28,12,21,906				35,36,08,310.95
58,35,03,787	7. **CONSTITUENTS' LIABILITIES FOR ACCEPTANCES, ENDORSEMENTS AND OTHER OBLIGATIONS PER CONTRA**			61,62,68,315 46
	8. **PREMISES LESS DEPRECIATION :**			
	(a) Premises :			
1,53,23,090	Cost as on 1-1-1970		1,57,39,470 75	
4,61,922	Additions during the year		2,15,581 62	
1,57,85,012			1,59,55,052.37	
45,541	Deductions during the year		—	
1,57,39,471				
27,71,919	*Less* : Depreciation written off to date		30,45,763 39	
1,29,67,552			1,29,09,288 98	
1,91,218	(b) Buildings under construction		73,000 00	
	(c) Premises in respect of which execution of title deeds is pending :—			
—	Cost as on 1-1-1970	8,18,749.35		
8,18,749	Additions during the year	2,68,662 97		
		10,87,412.32		
40,423	*Less* : Depreciation written off to date	74,469 56	10,12,942 76	
7,78,326				
				1,39,95,231 74
1,39,37,096				
	9. **FURNITURE & FIXTURES LESS DEPRECIATION :**			
2,46,48,415	Cost as on 1-1-1970		2,80,69,827 32	
38,41,069	Additions during the year		38,59,726 15	
2,84,89,484			3,19,29,553 47	
4,19,657	*Less* : Deductions during the year		2,11,962 55	
2,80,69,827			3,17,17,590 92	
1,60,39,030	*Less* : Depreciation written off to date		1,78,39,863 69	
1,20,30,797				1,38,77,727 23
	10. **OTHER ASSETS :**			
1,96,40,257	(a) Interest accrued and outstanding		2,37,49,579 17	
38,21,937	(b) Prepaid expenses, advance payments and amounts recoverable		82,68,904 58	
5,56,580	(c) Property not used as Bank premises less depreciation ..		5,52,729 43	
6,08,800	(d) Library, Motor Cars, Cycles and other Vehicles less depreciation		7,99,885 64	
29,71,105	(e) Stationery and Stamps		37,44,424 04	
1,07,80,950	(f) Amount paid for purchase of Trustee Securities		36,90,750 00	
2,34,63,887	(g) Advance payment of tax and tax deducted at source ..		4,31,91,266 82	
6,18,43,516				8,39,97,539 68
17,000	11. **NON-BANKING ASSETS (ACQUIRED IN SATISFACTION OF CLAIMS) (at or below cost)**			17,000 00
5,05,17,91,409	TOTAL			5,88,76,69,235 21

2. The affairs of Lahore and Karachi branches of the Bank have been in charge of the Custodian, Enemy Property, Pakistan. No returns having been received from these branches, it has not been possible to compute the Profit & Loss Account and the unaudited Balance Sheets as at 30-6-1965 have been incorporated in the preparation of the accounts as on 31st December, 1970.

S C TRIKHA
Custodian
A. S KAHLON
A. T BAMBAWALE
T. S PAPOLA
V. M. JAKHADE
Directors

B. K. VORA
Deputy General Manager

SITA RAM
General Manager

PUNJAB NATIONAL BANK

Profit & Loss Account for the Year Ended 31st December, 1970

INCOME

(Less provision made during the year for bad and doubtful debts and other usual or necessary provisions)

1969 Rs.		Rs. P.
22,54,48,976	1. Interest and Discount	27,64,04,457.53
3,88,51,588	2. Commission, Exchange and Brokerage	4,18,51,094.59
20,86,159	3. Rents	22,35,101.27
22,59,908	4. Net profit on sale of investments, gold and silver, land, premises and other assets (not credited to Reserves or any particular Fund or Account)	13,71,237.71
Nil	5. Net profit on revaluation of investments, gold and silver, land, premises and other assets (not credited to Reserves or any particular Fund or Account)	Nil
Nil	6. Income from non-banking assets and profit from sale of or dealing with such assets	Nil
Nil	7. Transfer fees	Nil
26,86,46,631		32,18,61,891.10

EXPENDITURE

1969 Rs.		Rs. P.
13,57,83,446	1. Interest paid on Deposits, Borrowings, etc.,	15,64,59,224.69
9,22,99,180	2. Salaries, Allowances and Provident Fund (including Rs. 44,85,947.48 being Contribution to Employees' Gratuity Fund Trust and Rs. 2,50,107.59 to Superannuation Fund Trust)	11,61,44,477.78
66,342	3. Directors and Local Committee Members' Fees and Allowances	31,775.00
90,65,776	4. Rent, Taxes, Insurance, Lighting etc.	1,03,65,571.06
2,33,876	5. Law Charges	3,86,878.66
36,50,883	6. Postage, Telegrams and Stamps	41,73,075.49
2,81,950	7. Auditors' Fees	3,58,350.00
26,30,465	8. Depreciation on and repairs to the banking company's property	29,18,327.84
61,28,342	9. Stationery, Printing, Advertisement etc.	67,61,500.22
Nil	10. Loss from sale of or dealing with non-banking assets	Nil
26,35,689	11. Other expenditure	28,61,823.87
1,58,70,682	12. Balance of profit (after providing for taxation but before provision of bonus)	2,14,00,886.49
26,86,46,631		32,18,61,891.10

Notes :

1. Particulars of remuneration to Chief Executive of the Bank during 1970 :
   (*i*) Salary Rs. 72,000.00 (Rs. 72,000.00) (*ii*) Contribution to Provident Fund Rs 6,750 00 (Rs. 6,750 00) (*iii*) Contribution to Superannuation Fund Trust Rs. 10,800.00 (Rs. 16,200 00) (*iv*) Monetery value of the benefit of the use of a house (taken @ 12½% of the salary as the Municipial valuation is in dispute) and use of car calculated according to the Income Tax Rules Rs. 12,000.00 (Rs. 12,000 00) (*v*) Medical Aid including Insurance under Hospitalisation Scheme Rs. 1,823.67 (Rs 2,560 75) — TOTAL Rs. 1,03,373.67 (Rs. 1,09,510.75) (Figures in brackets are for 1969)
2. Comparative figures for 1969 include income and expenditure for the period 1-1-1969 to 18-7-1969 of The Punjab National Bank Ltd., and the balance of profit (after taxation but before provision of bonus) of Rs. 1,58,70,682 for the year 1969 includes Rs. 72,92,948 in respect of the above period.

Annexure to our report of date

A. F. FERGUSON & CO.
M. C. BHANDARI & CO.
S. VAIDYANATH AIYAR & CO.
Chartered Accountants

New Delhi
JUNE 28, 1971

D. C. GUPTA
Chief Accountant

SITA RAM
General Manager

B. K. VORA
Deputy General Manager

S. C. TRIKHA
Custodian

A. S. KAHLON
A. T. BAMBAWALE
T. S. PAPOLA
V. M. JAKHADE
Directors

PUNJAB NATIONAL BANK

Schedule of Particulars
Required by the Banking Regulation Act, 1949
attached to and forming part of the Balance Sheet as at 31st December, 1970

Rs. 1969	PARTICULARS OF ADVANCES		Rs. P.
1,90,93,24,923	(i) Debts considered good in respect of which the Bank is fully secured ..		2,60,58,16,578.85
19,78,35,550	(ii) Debts considered good for which the Bank holds no other security than the debtor's personal security		17,97,50,064.66
15,81,52,003	(iii) Debts considered good secured by the personal liabilities of one or more parties in addition to the personal security of the debtors		24,61,28,161.55
Nil	(iv) Debts considered doubtful or bad not provided for		Nil
2,26,53,12,476			3,03,16,94,805.06
	(v) Debts due by Directors or Officers of the Bank or any of them either severally or jointly with any other persons :—		
Nil	Directors	.. 41,899.26	
22,30,261	Officers	42,08,009.68	42,49,908.94
Nil	(vi) Debts due by companies or firms in which the Directors of the Bank are interested as Directors, Partners or Managing Agents or in the case of private companies, as members		Nil
	(vii) Maximum total amount of advances including temporary advances made at any time during the year to Directors, Managers or Officers of the Bank or any of them either severally or jointly with any other persons :—		
Nil	Directors	.. 56,955.46	
22,48,578	Officers	42,43,825.08	43,00,780.54
Nil	(viii) Maximum total amount of advances including temporary advances granted during the year to the companies or firms in which the Directors of the Bank are interested as Directors, Partners or Managing Agents or in the case of private companies, as members		Nil
66,50,236	(ix) Due from Banking Companies		1,37,66,656.46

S. C. Trikha
Custodian

New Delhi
Dated : June 28, 1971

A. F. Ferguson & Co.
M. C. Bhandari & Co.
S. Vaidyanath Aiyar & Co.
Chartered Accountants

D. C. Gupta
Chief Accountant

Sita Ram
General Manager

B. K. Vora
Deputy General Manager

A. S. Kahlon
A. T. Bambawale
T. S. Papola
V. M. Jakhade
Directors

AUDITORS' REPORT

The President of India :

We have audited the foregoing Balance Sheet of Punjab National Bank as at 31st December, 1970 and also the foregoing Profit & Loss Account of the Bank for the year ended on 31st December, 1970 in which are incorporated the returns of 67 branches audited by us, 288 branches audited by other auditors, the unaudited returns as at 30-6-1965 of the Pakistan branches (see note 2) and the unaudited returns in respect of 365 branches not visited by us, for the exclusion of which branches from audit, concurrence of the Reserve Bank of India was obtained.

2. The Balance Sheet and Profit & Loss Account have been drawn up in Forms 'A' and 'B' respectively of the Third Schedule of the Banking Regulation Act, 1949. Accordingly, they disclose such matters as were required to be disclosed in the case of banking companies prior to nationalisation by virtue of the provisions of the said Act as read with the related provisions of the Companies Act, 1956. Subject to the limitations of the such disclosure and on the basis of the audit indicated in the first paragraph, we report that :—

(a) In our opinion and to the best of our information and the explanations given to us and as shown by the books of the Bank :

(i) the Balance Sheet read with the notes thereon is a full and fair Balance Sheet containing the necessary particulars and it is properly drawn up so as to exhibit a true and fair view of the affairs of the Bank as at 31st Dec., 1970.

(ii) the Profit & Loss Account read with the notes thereon shows a true balance of Profit for the period covered by the Account.

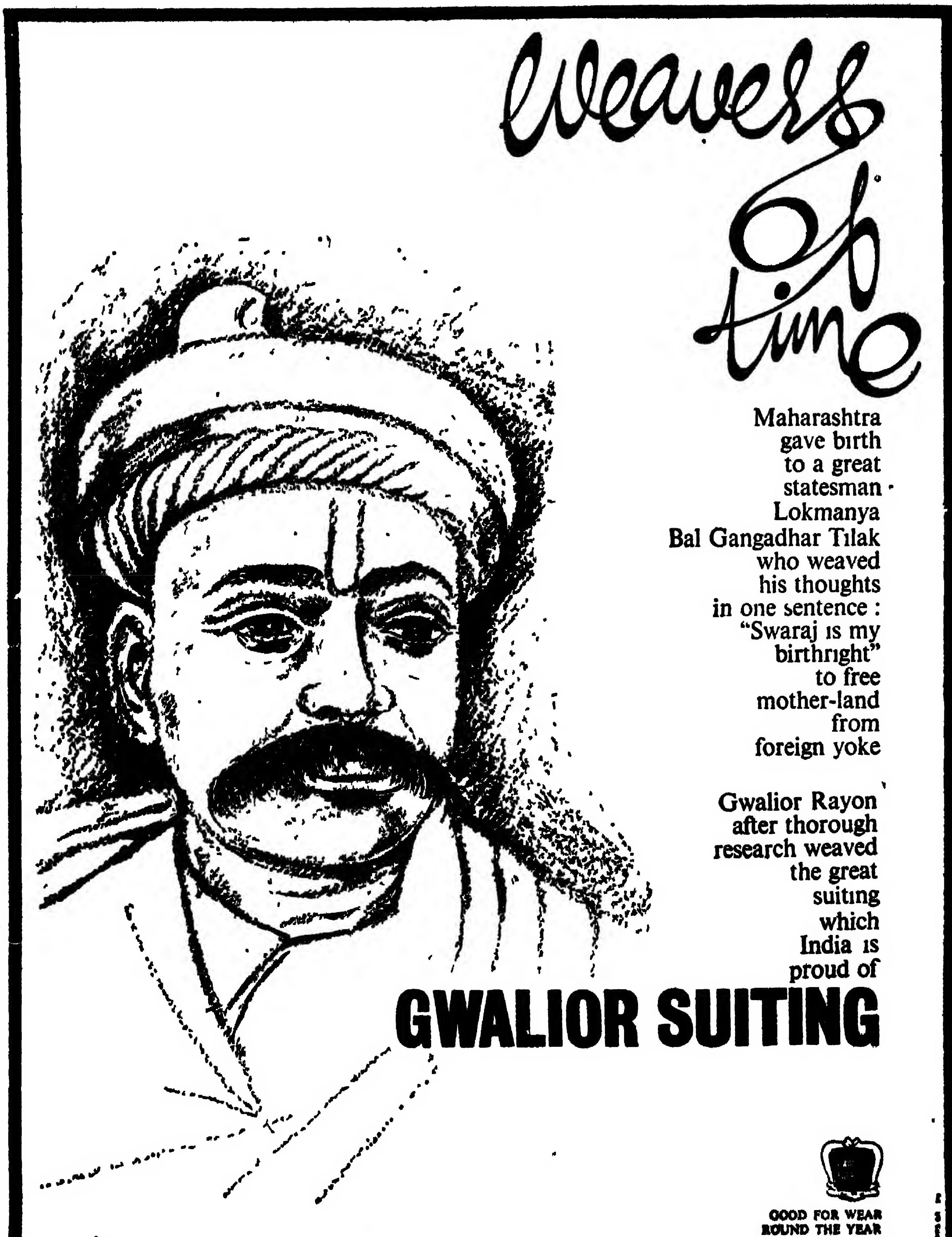
(b) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory.

(c) The transactions of the Bank which have come to our notice have been within the powers of the Bank.

(d) The returns received from the branches of the Bank (except for Pakistan branches—see note 2) have been found adequate for the purpose of our audit.

New Delhi.
June 28, 1971.

A. F. Ferguson & Co.
M. C. Bhandari & Co.
S. Vaidyanath Aiyar & Co.
Chartered Accountants


Weavers of time
Maharashtra gave birth to a great statesman · Lokmanya Bal Gangadhar Tilak who weaved his thoughts in one sentence : "Swaraj is my birthright" to free mother-land from foreign yoke
Gwalior Rayon after thorough research weaved the great suiting which India is proud of
GWALIOR SUITING
GOOD FOR WEAR ROUND THE YEAR

The moving finger writes

THERE IS no doubting the fact that there has been lately a significant change for the better (better, i.e., from all points of view except Islamabad's) in the Bangla Desh situation. I am referring of course to the revision of attitudes on the part of the United States and other western powers towards the legitimacy of the military action which has been and is being taken in East Bengal by the government of Pakistan. Even the government of the United Kingdom has at last been made to realise that the British stake, whatever it is, in the Indo-Pakistan sub-continent, is not being well-served by Whitehall's diplomatic efforts, whether in Washington or elsewhere, to whitewash Gen. Tikka Khan's reign of terror.

One direct consequence of this new thinking in western capitals is the decision of the member-countries of the World Bank Consortium on Aid to Pakistan to postpone consideration of the continuance of development assistance to that country. Additionally, the government of the United States has found itself compelled to review its commitments to supply Pakistan with military hardware. The government of India's colourless diplomatic exercises and its even more colourless Minister of External Affairs may perhaps take some little credit for this development, but it is only too clear that it is the press in the US, the UK and some of the west European countries which has been primarily responsible for bringing about a change in governmental attitudes in western capitals.

Aided powerfully by other media of public information, such as broadcasting and television, the daily newspapers and Sunday magazines in the western world have successfully stirred up emotions among the peoples of these counries against the military atrocities in East Bengal and have built up the forces of public opinion to a pitch where they have become too difficult to resist for the calculating bureaucrats in the foreign offices.

In completing this account, I must take note of the leadership provided by the IMF and the World Bank in 'educating and shaping governmental opinion in western countries in favour of suspending development aid to West Pakistan, until it becomes reasonably certain that this aid can and will be used only for the purpose for which it is intended, namely, the peaceful economic and social progress of all the people in all the parts of the land which is currently included in the political description of 'Pakistan'. It has been suggested that Mr Robert McNamara, presently the President of the World Bank and formerly Defence Secretary in the Kennedy and Johnson administrations in Washington, has played a prominent part in the processing of current policy on development aid to Pakistan. Mr McNamara who, towards the end of his tenure at the Pentagon, had become disillusioned with the course of US policy in Vietnam, is evidently a good learner.

Now that Islamabad is really on trial before the bar of world opinion, it has become all the more necessary that our country and its government should act in a mature manner and with a full sense of responsibility. It is no doubt unfortunate that so much innocent blood had been shed in East Bengal by the marauding hordes of the military regime in Islamabad. The untold suffering inflicted on millions of men, women and children, who had either died tortured deaths or been driven away from their homes and hearths to take refuge in the neighbouring land, is of course difficult to exaggerate. At the same time there is the hard reality that more than six million displaced persons, most of whom belong to the Hindu minority in East Bengal, are with us now, with a majority of them being here to stay.

If there is one development that is sure to kill any inclination or intention in Washington or other western capitals to mount pressure on Islamabad to retrace its steps in East Bengal, it would be any opportunity given to the foreign offices concerned, to interpret the issues in East Pakistan as being basically yet another Indo-Pakistan dispute. It is therefore very important that the government of India should be extremely careful in ensuring that its concern in the matter is viewed by the world at large as the concern essentially of a country which happens to be physically next door to Pakistan and has thus found itself at the receiving end of a vast flow of refugees for whom it cannot provide relief except by overstraining its resources. It is very necessary that no room should be given for world opinion or any part of it being tempted to see in India's interest in the matter only an expression of the legacy of antagonism left by the partition of the country or of India's view of Pakistan's future as a continuing political entity. Provided our government skilfully husbands US or other western reactions to Islamabad, it should find it less difficult not only to acquire sufficient international assistance in providing for the immediate needs of the displaced persons but also to hasten the restoration of more or less normal conditions in East Bengal. Granted that only a part of the refugees is likely to return to East Bengal in any event, how large or small this part would be depends obviously on how soon Tikka Khan's reign of terror is ended. We must realise that time being the essence of the matter it would be more sensible on our part to think in terms of what could be done immediately through the exercise of international political pressure on the Yahya regime than in terms of our waging a holy war now or later.

* *

Within the last some weeks I have had occasion to be in Madras, Bombay and Calcutta at various times. Among the matters that interested me during these visits were the local situations regarding the availability of small coins for miscellaneous transactions. Calcutta, I found, was better placed in this regard than the other cities. In fact, 'small change' does not seem to be one of Calcutta's many problems. The situation in Bombay seemed to me to be far less comfortable, but it was in Madras that things were at their worst. In fact the small coin situation was at least until very recently an explosive one in Madras city, with angry and frustrated people exploding against one another in buses, hotels, vegetable stalls, shops and indeed all over the place, simply because there were not enough small coins to go round. The public in this southern city indeed seemed to be even more seriously afflicted than the people in Delhi or New Delhi who, in all conscience, have been faring badly enough. As I write, however, things seem to be on the mend at least here in New Delhi and I hope that the lot of the people in Madras is improving too. Meanwhile, the small coin shortage has not been without its silver lining for, quite possibly, it may have helped the people to relieve their tensions through a million squabbles.

V.B.

Trade Winds

U.K.-E.E.C. PACT

BRITAIN AND the six Common Market countries have reached a settlement on the major conditions for the British entry into the Community. The terms Britain has agreed with EEC for full membership are reported to be: (1) Tariffs between Britain and EEC to be abolished as from April 1, 1973 at the rate of 20 per cent per annum to April 1, 1977. (2) On January 1,1974 Britain would align its external tariffs with that of EEC against the rest of the world, including India, by 40 per cent, leaving the remaining 60 per cent tariff alignment to be achieved over the next three years.. (3) Britain would adjust food prices in six stages with that of the EEC, beginning in 1973; (4)Sterling to be phased out as an international reserve currency after discussion with the EEC. (5) Fourteen sugar producing Commonwealth, Caribbean and Pacific countries are to be associate members, and these have been assured of sugar imports on the present level to Europe until 1974. (6) Capital movements to and from Britain to be loosened up on entry and restrictions on them removed within two years; (7) The value added tax system to be introduced in Britain on April 1, 1977. All the Commonwealth African countries, like the former French colonies, have been offered associate membership of EEC.

The major problem that still remains to be settled is regarding UK's contribution to the Community's budget. With this the UK's entry into EEC is assured. Only an adverse vote by the British Parliament can block UK from joining the Common Market.

NEW ZEALAND, U.K. & E.E.C.

Provisional agreement has been reached between Britain and the Six on a special arrangement which will permit access to the British market for New Zealand dairy products on a continuing basis after Britain joins the EEC. The Community has agreed that, at the end of the five-year transitional period in 1977 New Zealand's exports of butter and cheese to Britain would represent not less than 71 per cent of current entitlements. This is an achievement which will go a long way to avoid the damage to the economy of New Zealand which would otherwise have occurred.

New Zealand now has an assured outlet in Britain for butter and cheese for the next 6½ years. Until 1973 the present arrangements with Britain will continue. These entitle New Zealand to send 170,000 tons of butter and a agreed quantity of cheese which, this year is 75,000 tons. Thereafter, the guarnateed quantities of butter will be reduced by only four per cent a year. This will result in percentages of: 1973—96 per cent; 1974—92 per cent; 1975—88 per cent; 1976—84 per cent; 1977—80 per cent. The level in 1977 will still represent 136,000 tons of butter. For cheese there will be a steeper reduction to 20 per cent of present quantities by 1977 and with no guarantees thereafter. This will result in percentages of: 1973—90 per cent; 1974—80 per cent; 1975—60 per cent; 1976—40 per cent; 1977—20 per cent.

CONSORTIUM AID

Subject to ratification by the respective Parliament or other authorising body where necessary, India received the assurance of external assistance of the order of $1,150 million—$650 million in non-project aid and $500 million in project aid for the current financial year.

In agreeing to make this amount available, the Aid India Consortium, also made it clear that this assistance would be for economic development and was apart from whatever contributions the member-countries had made for the Bangla Desh refugee relief. The Consortium also agreed to provide for debt relief of between $90 million and $100 million out of the non-project aid of $650 million.

STATE BUDGETS

Tamil Nadu: Tamil Nadu will bid good-bye to prohibition on August 30. The decision was announced by the chief minister, Mr Karunanidhi, while presenting the state's budget for 1971-72 The budget reveals a deficit of Rs 15.87 crores on revenue account (revenue receipts estimated at Rs 342.65 crores and expenditure at Rs 358.52 crores) and an overall deficit of Rs 59 crores including the deficit of Rs 23.23 crores carried over from last year. Additional resources mobilisation is expected to fetch Rs 12 crores leaving a huge uncovered deficit of Rs 47 crores.

The principal fiscal measures proposed by Mr Karunanidhi are adjustments in urban land tax, sales tax and agricultural income-tax. A major decision announced by Mr Karunanidhi was nationalisation of all passenger transport divisions of transport undertakings having 50 or more bus permits as on June 19, 1971. Another decision seeks to permit state government employees to increase their contribution to provident fund from the present six per cent to 10 per cent at their option. A higher interest will be paid on the additional contributions.

Punjab: The Punjab budget for 1971-72, was presented recently to Parliament by the Minister of State for Finance, Mr K.R. Ganesh.

The budget estimates for 1971-72 show a surplus on revenue account of Rs 12 01 crores, the receipts being placed at Rs 161.37 crores and the expenditure met from revenue at Rs 149.36 crores. The revenue receipts compared with the revised estimates for last year show a shortfall of Rs 3.36 crores. The expenditure estimates of Rs 149.36 crores show an increase of Rs 13.44 crores over the revised estimates of 1970-71. The provision for capital expenditure is Rs 22.06 crores against Rs 16 17 crores in the revised estimates of 1970-71. The current year is expected to close with an overall deficit of Rs 4 29 crores. This deficit, however, is likely to be covered by larger collection of taxes and devolution from the centre. No new taxes have been proposed.

E.E.C. LIFTS BARRIER

Manufactured and semi-manufactured products exported to the Common Market by developing countries will enter EEC duty free from July 1. A decision to this effect was taken last week by the council of ministers when it approved a series of regulations implementing the Six's offer of generalised preferences from that date. The EEC thus will be the first to grant developing countries duty-free entry in the framework of the preferences schemes negotiated by UNCTAD

EXPORT TARGET FOR 1971-72

Emboldened by the happy export performance during 1970-71, the Foreign Trade Ministry has set a higher and ambitious export target of Rs 1,670 crores for the current financial year. The target is 9.1 per cent higher or Rs 140 crores more in terms of value, than the exports worth Rs 1530.6 crores recorded in the previous year. The target is also two per cent more than the Plan target of seven per cent rise in exports every year.

COPPER DEAL WITH ZAMBIA

India has signed a three-year contract with Zambia for the import of 54,000

tonnes of copper, valued at about Rs 45 crores. This is the first long-term contract signed by this country for getting a scarce material like copper. The Mineral and Metals Trading Corporation, which has signed the contract, will import 1,500 tonnes of copper per month for the next three years. If this experiment of long-term contracts for import of copper succeeds, MMTC proposes to enter into other long-term contracts for importing other scarce metals like zinc, lead and tin.

STEPS TO EASE TYRE SHORTAGE

Mr R.G.S. Nairn, Chairman of the Automotive Tyre Industry of India, in a press statement has outlined the steps taken by the automotive tyre manufacturers to ease the shortage of tyres recently caused by labour difficulties and acute power shortage in various parts of the country. The tyre industry has already initiated a series of steps, the chairman said, to ensure an equitable distribution of tyres, and the sale of tyres at recommended retail prices by authorised dealers. Tyre manufacturers have obtained letters from dealers guaranteeing that tyres will be sold at fair prices and have also issued retail price lists, which are being displayed at dealer premises. Tyre dealers have also formed associations in all the main tyre markets to ensure that genuine customers receive their requirement of tyres in keeping with the supply. Dealers have also been warned that in case they are found charging prices higher than the company recommended retail prices, their dealership is liable to be terminated.

The long-term solution, in the opinion of the chariman, lies in creating sufficient capacity to meet the growing demand of the domestic and export markets and this, the chairman felt, could be achieved if the government allows further expansion to the existing units.

GUIDANCE BUREAU

The Entrepreneurs Guidance Bureau of the National Alliance of Young Entrepreneurs (NAYE) was inaugurated in New Delhi recently by Mr L.N. Mishra, the Minister of Foreign Trade. The bureau is an advisory agency set up solely for guiding entrepreneurs in medium and small scale industries and it will provide to the interested entrepreneurs information regarding licensing, economic and foreign investment policies of the government, opportunities for setting up new industries and details about fresh capacities, expansions and import substitution. It will also give suggestions to the entrepreneurs in matters relating to methods of production and technology, demand forecasts, export possibilities, selection of project sites and other allied subjects. The service wing of the NAYE will assist the entrepreneurs in getting industrial licences, allocation of raw materials, approvals for import of plant and machinery and other sanctions.

RECORD WHEAT PROCUREMENT

The total procurement of wheat in the country during the current rabi season has crossed the four million-tonne mark. This was the procurement target recommended by the Agricultural Prices Commission for the 1971-72 season. This is the first time that a target of procurement recommended by APC has not only been hit but reached so early in the season. By the end of this month, the current procurement of wheat is likely to touch the level of 4.5 million tonnes. This is the result of an unprecedented price support operation carried out by the Food Corporation and the other procurement agencies in different wheat-producing areas in the country.

DAIRY VARSITY

A Rs 3-crore plan to convert the National Dairy Research Institute, Karnal, into a dairy university, the first of its kind in Asia, has been drawn up. The institute, which was established by the union government in 1955, is being expanded under the United Nations Development Programme to provide increased training and research facilities for scholars from neighbouring countries. Under the expansion plan 400 to 500 students will be trained in dairying against the present 200 to 250.

REVISED VANASPATI PRICES

Prices of vanaspati have been reduced by 20 paise per kilogram in south zone with effect from June 23, 1971. There is no change in the remaining three zones. The revised prices will be as under:

(In Rs.)

Zone	16 5 Kg	4 0 Kg	2 0 Kg	Loose per kg
North	87.57	23.17	12 07	5.31
South	84 85	22 51	11.74	5 14
East	88.12	23 31	12 13	5 34
West	85.56	22 68	11 82	5 19

B.E.L. TO MAKE TV EQUIPMENT

The Bharat Electronics Limited, will start manufacture of TV studio equipment and TV transmitting equipment from next year. The undertaking has entered into a collaboration agreement for the manufacture of TV studio equipment with a West German firm and for the TV transmitting equipment with a Japanese firm.

The construction of a new factory at Ghaziabad for the manufacture of special types of radar and associated equipments will start this year. The production is expected to begin in 1973-74.

The BEL has achieved more than ten-fold increase in its export earnings during the last two years. The exports of electronic equipment and components during 1970-71 was Rs 53 lakhs against Rs 5 lakhs in the first year of its export in 1968-69.

The production at the Bharat Electronics during 1969-70 was Rs 2411 lakhs, an increase of 16.3 per cent over that of the previous year. The undertaking produced 40 types of equipment valued at Rs 1953.68 lakhs and components worth Rs 457.58 lakhs. It earned a net profit of Rs 183.53 lakhs during the year. The production of new items undertaken in 1969-70 included X-ray tubes, TV tubes and cathode ray tubes. The research and development effort to achieve self-sufficiency in design capabilities was further intensified. So far development work on about dozen main equipments has been completed and taken into production. Out of the total production of Rs 2411 lakhs in 1969-70, indigenously designed and developed equipment accounted for Rs 380 lakhs.


A DRAPE TO BUILD A DREAM ON
Century sarees are the answer to your little day dreams.
So go ahead on a dream spin!
Century sarees are a rage of prints and design together!
Cool as the evening breeze.
Light as air.
Century gives you sarees from 100% pure cotton!
CENTURY SAREES
THE CENTURY SPG. & MFG. CO., LTD.
CENTURY BHAVAN,
WORLI, BOMBAY
Century—For 100% cotton textiles

Company Affairs

CENTURY

ALTHOUGH THE working of all the divisions of Century Spinning and Manufacturing Co Ltd continues to be satisfactory, the company has to contend with slackness in demand, increase in wages, freights, and costs of production and shortage of essential raw materials In the circumstances it is feared that the profits for the current year may not possibly attain the last year's figure This is disclosed in the Chairman Mr R D Birla's statement to the shareholders of the company

Division-wise, the textile business has been sharing the difficulties common to the entire industry Shortage and the very high prices of cotton and an all-round rise in costs have caused difficulties to the company during the first half of the current year and this is bound to affect profits The tyre cord division is facing the prospect of a price cut and a slow-down in demand in the home market In view of this, a setback in profit is anticipated The rayon division has been operating under the shadows of a tariff inquiry and its recommendations when implemented will naturally affect the profits of this division

The company is however proceeding ahead full steam with the implementation of its expansion and diversification programmes which will have a far-reaching impact on the fortunes of the company In the textile division, it has embarked upon a programme of progressive improvement and diversification of its products It has developed some more sophisticated qualities which have been well received by the market As for the expansion scheme, the government has granted the company a carry-on-business licence in respect of its cement project on which the work has already been started and is making good progress In regard to two other major industrial ventures — one for pulp and the other for seamless pipes — the company's applications are under the active consideration of the government In view of the government's anxiety to increase indigenous production and reduce dependence on imports, the company expects a favourable decision from the government shortly

Mr S K Birla who presided over the annual general meeting in the absence of the chairman, Mr R.D Birla, said that the capital outlay on the three major projects would be around Rs 50 crores, comprising Rs 14 crores on cement Rs 21 crores on pulp and Rs 15 crores on seamless pipe The cement unit will achieve the completion of its first phase and commence production in December 1972 The second phase will be implemented in the middle of 1973 As far as the bonus issue is concerned, Mr Birla told the shareholders that the company would be eligible to issue bonus shares only in the first half of 1972

G F C

The General Electric Company of India Ltd reported excellent working results during the year ended March 31 1971 with its pre tax profit shooting up to Rs 2 31 crores from Rs 1 11 crores in 1969-70 This has enabled the directors to declare a final equity dividend of Rs 2 15 a share which together with an interim dividend of Re 1 per share makes a total distribution of Rs 3 15 as against Rs 2 75 a share paid for the preceding year After providing Rs 1 40 crores for taxation and Rs 35,563 for development rebate reserve the company has been left with a balance of Rs 90 79 lakhs Out of this, capital reserve absorbed Rs 11 58 lakhs and the payment of interim dividend Rs 17 75 lakhs The balance of Rs 61 46 lakhs has been transferred to general reserve

BAJAJ ELECTRICALS

Bajaj Electricals Ltd has fared extremely well during the year ended March 31, 1971 with its gross profit leaping to Rs 51 32 lakhs from Rs 27 16 lakhs in 1969-70 and sales soaring to Rs 8 80 crores from Rs 7 15 crores attained in the previous year The impressive working results have emboldened the directors to propose a final equity dividend of Rs 7 a share which together with Rs 5 paid in October 1970 as an interim dividend makes a total distribution of Rs 12 a share as against Rs 8 declared in 1969-70 This is the highest dividend paid by the company so far Out of the gross profit, the directors have transferred a sum of Rs 1 58 lakhs to depreciation reserve and Rs 27 38 lakhs to taxation reserve as against Rs 1 92 lakhs and Rs 13 lakhs provided respectively in the previous year The proposed preference, equity and deferred dividends amounting to Rs 13 46 lakhs will be paid out of the general reserve

The company's subsidiary, Matchwell Electricals (India) Ltd, has earned a higher gross profit of Rs 14 71 lakhs for the year ended September 30, 1970 as compared with Rs 9 91 lakhs for the preceding year Hind Lamps Ltd, in which the company has a 50 per cent interest, earned a gross profit of Rs 51 93 lakhs for 1970 as against Rs 47 30 lakhs for the previous year

CHARTERED BANK GROUP

The year 1970 was a successful year for the Chartered Bank Organisation Notwithstanding one or two political setbacks, the most important of which was the nationalisation of the Commercial Bank S A I in Libya — the first joint Libyan bank founded and in which the Bank held 49 per cent of the capital — the Bank by and large was able to derive full advantage of the steady conditions prevailing in most of the territories and of the increasing world trade The stability of all major currencies also enabled the Bank to give exchange cover to its large trading customers Moreover the bank has been assured by the British government to renew the guarantees against the effects of devaluation for those countries of the sterling area maintaining the greater portion of their overseas balances in London Another significant development was that the Standard Bank Ltd was merged with the Bank during the year and it became effective from January 1, 1970 Plans are now well advanced for setting up a joint international division These observations were made by the Chairman Mr William George Pullen, in his annual statement which is to be presented at the annual general meeting of the Bank to be held on June 30, 1971

The consolidated balance sheet figures have again increased It stood at £1010 million recording a rise of £75 million over 1969 Deposit and other accounts increased by £60 million while advances and other accounts went up by £50 million In the Chartered Bank's own accounts £4 4 million has been transferred from inner reserves to the reserve fund which now stands at £22 million In the Group accounts, capital and consolidated published reserves together with the balance on profits and loss account now total £34 2 million an increase of £5 0 million over the corresponding figure for 1969

The dividends are now payable to the Bank's parent Standard and Chartered Banking Group Ltd, whose first accounts to March 31, 1971 cover a period of 15 months In consequence dividends paid and proposed totalling £2 95 million which appear in the profit and loss account exceed by £590,000 the amount which would be required on a 12 months' basis To accommodate the excess payment the Chartered Bank's own transfer to reserve funds from published profits has been reduced

from £1 million in 1969 to £ 0.6 million and there is a reduction in the carried forward balance on profit and loss account from £1 0 million to £0.9 million.

SWEDESHI POLYTEX

Swadeshi Polytext Ltd, which has recently been granted a licence for the manufacture of polyester fibre, has started work on the construction of its factory at Ghaziabad. The plant will have a total annual capacity of 6,100 tonnes. The estimated cost of the project is placed at Rs 12.72 crores and it is being financed to a large extent by equity and preference capital. The factory will be ready by February 1972 and commercial production is expected to begin in early 1973. The plant will be the first of its kind to use the continuous polymerisation and direct spinning process which is far superior than the current "batch" process being used by Indian manufacturers. The new process will cut down manufacturing costs by 5 to 10 per cent and also maintain a consistent high quality in the end-product The company has entered into an agreement with Vickers Zimmer Ag, Frankfurt, West Germany, for the purchase of machinery, equipment and technical know-how. As there is a great demand in the country for polyester fibre in view of its superior qualities, the sponsors of the project feel that even with increased production in the next few years demand in the country will outstrip supply.

RONEO VICKERS

As the public issue of Roneo Vickers India Ltd was over-subscribed, the subscription list was closed on June 23, 1971, the third day after opening of the list. The company offered for public subscription 200,000 equity shares of Rs 10 each at par. The public issue was fully underwritten

TOMCO

The Tata Oil Mills Co. Ltd has reported all-round improvement in its working results for the year ended March 31, 1971. Sales and other income moved up from Rs 39.47 crores to Rs 50.83 crores while gross profit advanced from Rs 222.04 lakhs to Rs 252 18 lakhs, registering an increase of Rs 30.14 lakhs over 1969-70. The directors have recommended an equity dividend of 18 per cent as againt 17 per cent plus one per cent bonus dividend paid in the preceding year. The appropriations to all reserves have been enhanced. The allocation to depreciation reserve was raised from Rs 60 50 lakhs to Rs 82 lakhs, taxation reserve from Rs 70.50 lakhs to Rs 74 lakhs and the development rebate reserve from Rs 10 lakhs to Rs 12 80 lakhs. This leaves net profit of Rs 83.38 lakhs as compared to Rs 81.04 lakhs in 1969-70.

Sales of branded products outstripped the previous year's record by 31.3 per cent. Exports were also substantially higher at Rs 2.03 crores. Significant progress was also made in the export of frozen shrimps which totalled Rs 69 lakhs, recording an increase of 32.5 per cent. It is planned to extend seafood operations to Ratnagiri in Maharashtra and Madras in the south. The company has negotiated for the large scale regular export of seafood in consumer packs bearing the brand name of manufacturers in the USA. This will be done for the first time in India. The company's research department has developed a special process for utilising some of the jungle oilseeds and inedible oils for use in soaps and recovery of glycerine, which is a very valuable byproduct for defence needs and exports.

The company will participate in a joint venture with Messrs United Plantations Berhad in Malaysia for the manufacture of products, similar to its own, largely based on the utilisation of palm oil. The approvals of the governments of India and Malaysia have been obtained. It is noteworthy that in this venture the country will receive royalties in free foreign exchange for supply of know-how for a period of seven years.

BRITANNIA BISCUIT

The heavy incidence of excise duty on biscuits and the closure of the Calcutta branch of the company for about two-and-a-half months have adversely affected the working of the Britannia Biscuit Company Ltd, during the year ended March 31,1971. As result of these set-backs the company's sales declined to Rs 17.38 crores from Rs 17 85 crores in 1969-70. Further the continuous rise in the prices of vegetable fats, tins, packing materials, milk powder and transportation have made inroads into the company's profit margins, and consequently the profit before taxation declined from Rs 245 85 lakhs to Rs 187 16 lakhs. Taxation absorbed Rs 73 00 lakhs against Rs 150 00 lakhs in 1969-70 while the allocation to development rebate reserve was reduced by Rs 1.75 lakhs to Rs 0.75 lakh. This leaves a surplus of Rs 113 41 lakhs as compared to Rs 93 35 lakhs in the preceding year. Out of this, a sum of Rs 102.78 lakhs was transferred to general reserve as against Rs 83.38 lakhs in the previous year. The directors have declared a final dividend of 12 per cent which with the interim dividend makes a total of 16 per cent as against 22 per cent paid in the previous year. The latest distribution however is being made on an equity capital increased by the issue of bonus shares in the ratio of three shares for every five shares held. The interim dividend of four per cent amounting to Rs 10.62 lakhs was paid in March 1971. The final dividend of 12 per cent will claim Rs 31.87 lakhs and it will be paid out of the general reserve.

The company has received a letter of intent for the manufacture of frozen and canned seafoods. The project is predominantly export-oriented. The company has also developed successfully two high protein foods and it will be marketed under the brand names Provite and Probisk. This indeed will be a significant step forward in the company's efforts to meet the challenge of malnutrition in the country.

REMINGTON RAND

Remington Rand of India Ltd proposes to set up a new unit at Faridabad for the manufacture of portable typewriters. It has recently obtained a letter of intent to produce 15,000 portable typewriters per year. Although the company submitted its scheme for such typewriters quite some time back, it was held up as the government could not take any decision on it. In view, however, of acute shortage and rapidly rising demand, the government has now permitted the company to go ahead with its scheme.

COMPANY MEETINGS

THE CENTURY SPINNING & MFG. CO. LIMITED

Statement of the Chairman, Shri R. D. BIRLA

at the 74th Annual General Meeting of the Company, held on Tuesday, 22nd June, 1971

Ladies and Gentlemen

I am pleased to welcome you all to the 74th Annual General Meeting of the Company The Report and Accounts of the Company are already in your hands and I hope you are fully satisfied with the results

Future Prospects

The Directors have given details about the working of the Company in their Report, but I would like to make a few observations on the future prospects of the Company The Textile Division of the Company experienced difficulty during the first half of the current year as a result of shortage and very high prices of cotton and an all-round increase in costs of which all are aware This is bound to affect profits As regards Tyre Cord Division, the Government has asked the industry to cut prices and the demand for tyre cord in the home market is also not satisfactory In view of this, it is feared profit in this Division too will suffer a setback As for Rayon Division, the recommendations of the Tariff Commission are being examined by the Government and if and when these are implemented, they too will naturally affect the profits Although the working of all the divisions of the Company continues to be quite satisfactory, if the price cuts referred to above take place, then the profits of this current year may possibly not attain the figure reached during the year under review

Diversification Expansion

The Textile Division of the Company as I had mentioned last year, has embarked upon a programme of progressive improvement and diversification of its products It has further during the year, developed some more sophisticated qualities which have been received well in the market The progress in this direction is continuing The quality of the Company's rayon and tyre cord yarn continues to be excellent and as you must have noticed in the Directors' Report, it is being exported in increasing quantities to the most advanced countries of the world

As regards the Company's expansion programme you will be happy to know that the Government has already given us a 'carry-on-business" licence in respect of our Cement Project on which work was already in progress It is expected that the Cement Factory will go into production by the end of 1972 We have two more applications for major industrial projects with the Government—one for Pulp and the other for Seamless Pipes As the Government is anxious to increase indigenous production and reduce dependence on imports, let us hope it will favourably consider these two applications also

Happenings in Bangla Desh

The unfortunate happenings in Bangla Desh have affected our economy, Millions and Millions of refugees from that region have been trekking to India and it has become a great burden for the country to feed and look after them The merciless sins committed by Pakistani rulers in Bangla Desh are unparalleled in the history of mankind In recent history only Hitler committed crimes of this magnitude and the history tells what his fate had been

Our Prime Minister, who enjoys the backing of all our countrymen has made a firm determination to send back the evacuees Although this is a very difficult task, but as we have seen she has succeeded in all the missions she has undertaken Now even the world opinion is veering round in India's favour The powerful countries of the world should now apply pressure on Pakistan to take back the refugees and only after this happens, will peace dawn on both the countries It is not too late even now for Pakistan to understand that it is in its interests to take back the refugees

Stable and Strong Government

For accelerating the process of development and growth, we need to harness all the talent and skill in the country Fortunately, we have now a very stable and strong Government with a thumping majority in Parliament Our Prime Minister too is very popular, brave and forward-looking Let us hope that the Government will now adopt a bold and courageous policy to stimulate savings and investment for setting up new enterprises and take all necessary steps to increase production To generate more savings prices must be held in check by augmenting the supply of consumer goods Population in the country is rising fast and unless production rises at a faster rate, there will be no improvement in our living standard

Shri R. D. Birla

Large-scale Industries need to be encouraged

The encouragement given by Government to small scale industries is quite understandable But small scale industries alone cannot achieve the objectives of providing employment to millions of our unemployed and of producing consumer and other goods on the scale needed to fill the vacuum in the home market and also to create surpluses for export Besides, exports can be stepped up only with mass production and with competitive prices and this can be possible only if the productive units are fairly large and of economic size of which the Government is fully aware The Government, therefore, must also encourage the setting up of large-scale industries

Before I conclude, I would like to express my warm and hearty thanks to the workers, staff and officers of the company for their hard and devoted work which enabled the company to show such excellent results I hope they will continue to work with the same devotion and loyalty in future

Thank you

N.B **This does not purport to be a report of the proceedings of the Annual General Meeting.**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Shri AR Ramanathan

THE TRAVANCORE RAYONS LIMITED

Speech delivered by Shri AR. Ramanathan, Chairman, at the 25th Annual General Meeting held at Rayonpuram, Kerala, on June 29, 1971.

Gentlemen

I am pleased to welcome all of you to this meeting – the twentyfifth Annual General Meeting of the company—the Annual General Meeting falling in its Silver Jubilee Year Personally it has been a proud privilege and pleasure for me to be associated with the Company from its inception

Before proceeding further I am sure you would like to join me on recording our appreciation of the valuable guidance and direction your Company had received from the late Shri C S Loganathan who was a director on your Company's Board since 1952

Stable Central Government

I am happy that the recent General Election has resulted in a Central Government with an overwhelming majority for one party– the ruling party a government strong enough to impart purposeful direction and stability This by itself, is a great relief and a great hope to industry and citizens of our country

The Economy

Our economy continues to gather strength But, whatever progress is achieved, the same is neutralised by the tremendous rate of population-increase, and, to sustain a high level of activity, the national economy has to be strengthened all across the line We have to see that production and productivity are increased at a faster rate all round and established capacity is fully utilised I, therefore come back to the same fundamental point I had made in the past viz that Government policies should be designed to induce greater production and stimulate growth

Encouraging Results of 1970

As you would have seen from the Directors Report & Accounts 1970 has been yet another good year for your Company The sales turnover has increased from Rs 7 62 crores in 1969 to Rs 9 27 crores—recording a new high The gross profit has also recorded an increase to Rs 134 lakhs before providing depreciation of Rs 38 19 lakhs and bonus to employees of 14 50 lakhs The net profit too is higher at Rs 81 33 lakhs (Rs 73 07 in 1969), The net profit has not recorded improvement proportionate to the increased turnover because of higher raw material and labour costs, higher depreciation-provision, and the benefits of the new plants accruing only towards the year-end

Disposition of Profits

Out of the net profit, your Directors have provided Rs 23 lakhs for Development Rebate Reserve and Rs 19 50 lakhs for taxation The lower taxation provision is due to the benefit of development rebate and higher depreciation on account of expansion The balance of Rs 38 76 lakhs has been transferred to the General Reserve The gratuity liability of the company has been actuarially ascertained and provided (Rs 31 72 lakhs) Having regard to the continuing expansion and the need for funds your Directors have thought it prudent to recommend maintenance of the dividend at 15% taxable which if approved by the General Body will be paid out of general reserve You will be glad to note that by such careful husbanding of resources through the years, your Directors have raised the gross block from about Rs 2 crores to close to Rs 10 crores and built-up reserves of a high order—about 75% of the paid-up capital

Production & Sales

The upward trend in the production of both Rayon Yarn and Cellulose Film has been sustained for another year in succession The Rayon production was higher than that of 1969 by about 8% and that of Cellulose Film by about 17 5%, The sales were also brisk resulting in a higher turnover of Rs 9 27 crores The sales of rayon yarn, which were sluggish for a long time past, picked up towards the

(Contd on page 40)

last quarter of 1970

Raw Materials

The costs of almost all raw materials have continued to rise, as also the cost of labour, transport, freight, etc Temporary shortages of raw materials had also occurred especially in regard to imported ones, on account of delays caused by various factors The cotton shortage has had its natural impact on the cotton linter supply position and the cost of cotton linters - required for the manufacture of our Cotton Linter pulp —shot up exhorbitantly More and more items are being routed through the State Trading Corporation which involves the need to put up with delays and to avail, often bulk arrivals of more than normal stocks, resultig in higher inventory apart from lack of competitive market conditions and the benefits thereof

Government Policies

I am glad to find some liberalisation of licensing procedures -which is good so far as it goes I would like to add that there is vital need for extending further this liberalisation The import policy has also some good features However the period under review witnessed the emergence of some radical measures like the Monopolies and Restrictive Trade Practices Act which may have impeding effect on industrial progress I am inclined to agree with the widespread opinion that under present Indian conditions there is no monopoly or economic concentration as such and with such measures as the abolition of Managing Agencies increasingly stringent provisions under the Companies Act credit regulations and the like there is actually not much need for the MRTP Act which is having a dampening effect on industrial development whereas what is needed today, on all accounts is the opposite of it It will be a great loss to the country if, for ideological reasons we do not take advantage of the expertise the proven experience the capital and the organising capacity of the existing entrepreneurial class More recently we have had the nationalisation of general insurance If the after effects of nationalisation of Banks is any guide, I only hope that the tendencies of deterioration in service and indiscipline will not be allowed to manifest themselves

The Central Budget

In the Central Budget for 1971-72 the Finance Minister has come down with a massive dose of taxation The removal of development rebate in 1974 will have its impact on industrial growth No doubt, the various measures in the Budget will have their financial impact on your Company's working as in the case of others The impact is estimated around Rs 12 lakhs per annum

Expansion Schemes

As your directors have mentioned in their Report the commissioning of the new Cellulose Film Plant, in regard to which there was a long stale-mate for want of labour co-operation, was effected through an agreement The modification of the Moistureproof Plant has been completed Your Company is now equipped to do copolymer (saran) coating on Cellulose Film

The Government of India has been approached for expansion of the rayon capacity by 5 tonnes/day and for an industrial licence for expanding the Cellulose Film capacity by 10 tonnes/day

For financing the expansion scheme to merge the Indian Overseas Bank Limited with your Company thereby ensuring finance to the extent of Rs 250 laks has been approved by your Board of Directors and that of IOB Ltd on mutally advantageous terms For every share of the IOB Ltd we will issue 7 Trayons shares of Rs 10/ each and one Debenture of Rs 100 We will be coming to you with full details in due course to seek your approval before finalisation of the scheme This proposal is particularly advantageous to your Company, now in view of the numerous credit restrictions.

Silver Jubilee

Twentyfive years ago, India's Man-made fibre industry was born at Rayonpuram, Kerala Travancore Rayons are proud to be the pioneers in this field To mark the Silver Jubilee, newspaper supplements will be brought out throughout the country and an open-air theatre-cum-stadium is being built at Perambavoor—a long felt need of this place which was once a hamlet On this happy occasion, I have pleasure in joining your directors in wishing the best to you all, to the Trayons' employees, to the Government of Kerala and India and to the Company's Bankers, and others closely or remotely connected with Trayons

Exports

Your Company has also made further progres in the export of Cellulose Film The film is going to countries in South East Asia, Middle East, Africa and New Zealand

Labour Relations

The relations with labour during the year except for starting the new Cellulose Film unit have been satisfactory Tripartite discussions are going on for renewing the long-term agreement I look forward to full co-operation from labour so that the full benefits of the expansion could be reaped and productivity maximised, to mutual advantage In this connection, it is encouraging to note the dialogue in New Delhi between the Prime Minister and the Union Labour Minister on the one side and the leaders of the trade unions on the other Particularly, the idea of creation of a common bargaining agency for multiple unions thereby eliminating problems of inter-union rivalries, and the stress that higher rewards should be linked to productivity, are hopeful signs of realism —which alone can really make for better life for the working class and prosperity of the country

Note This does not purport to be a report of the proceedings of the Annual General Meeting

RECORDS AND STATISTICS

Industrial Production in 1970

INDUSTRIAL PRODUCTION which had suffered a major setback during 1966 and 1967 began to recover in 1968 The progress of recovery continued with accelerated strength during 1969 There was a marked increase in the output of most industries in 1969 which included consumer goods industries such as food manufacturing, sugar, flourmilling, paper and paper board, razor blades, hurricane lanterns and radio receivers, intermediate products like chemicals and chemical products, insulators, and cement, non-electrical machinery and equipment such as tractors, diesel engines, machine tools, power-driven pumps, ball-bearings, sugar mill machinery and cement mill machinery electrical machinery and equipment such as electric motors, dry batteries and storage batteries, and transport equipments such as motorcycles, scooters and three wheelers The gains in these sectors were however, moderated to a certain exent by a decline in the output of mill-made cotton cloth and a much steeper decline in the output of jute manufactures The increase in industrial output was reflected in the Index of Industrial Production (1960=100) which recorded an increase of 7 1 per cent over the previous year The rate of increase was slightly higher than the increase of 6 4 per cent registered in 1968 and was in sharp contrast to the decline in 1966 and 1967

Slight Decline

For the year 1970 the growth rate appears to have to some extent declined the index of industrial production for the first ten months (January-October showing an increase of only 5 per cent and is expected to be about 6 per cent for the year as a whole Although the official index is not available for the period after October, 1970, output data for a large area of industries are available for the full year 1970 These figures indicate manufacturing industries on the whole recorded substantial increases in output during this period Although cotton textiles, in contrast to 1969, recorded an increase, the rate of increase was very moderate. Jute manufactures which had suffered a serious decline in output in 1969 as a result of shortage of raw jute, staged a sharp recovery Chemical products such nitrogenous fertilizers, caustic soda, soda ash, liquid chlorine, staple fibre, polyester fibre, petroleum refinery products including naphtha based industries showed a continued and rapid growth The production of aluminium continued to increase While there was a substantial increase in the output of several items of industrial and electrical machinery, and in particular, the output of electric motors, power transformers, non-copper cables and conductors, many of the items of transport equipment also registered fairly significant increases

One of the important factors which led to the decline in the rate of growth of industrial output during 1970 was the shortage of steel and of pig iron Apart from the direct effect the variations in steel output have on the overall growth rate its indirect effect through its impact on steel based industries is also quite substantial Industrial unrest in certain areas of the country also contributed to a decline in the output of some industries There were certain industries such as stationary diesel engines and power driven pumps which suffered a setback owing to a fall in demand and accumulation of stocks

Some Doing Well

Although there was some decline in the overall growth rate, it is important to note that several industries recorded significant increases in output This is in part due to the fact that in several industries such as cement, paper automobile tyres storage batteries electric lamps, radio receivers, soda ash artificial fibres and aluminium the rate of utilisation of capacity was quite high

The drive for import substitution in the various sectors of industry continued to be pursued vigorously during the year The High Level Committee on Import Substitution which was set up during the year 1969 to take stock of the work done in this field and to give directions for the future programme of work held two meetings during the year

The DGTD undertook a further review of the efforts put in, in the field of import substitution during the year 1968-69 As a result of this review it was found that while estimated saving in foreign exchange in 1967 as a direct result of import substitution measure was Rs 35 crores, the savings in the foreign exchange during the year 1968 and 1969 has been estimated at Rs 75 crores per year, taking into account the increase in production in certain selected industries and also reduction in foreign exchange expenditure on production

With a view to achieving the twin objectives of reducing imports to the barest minimum possible and of achieving maximum utilisation of indigenous capacity, it has also been re-emphasised on all the authorities concerned that they should plan their requirement of capital equipment etc sufficiently in advance and also to consult the DGTD at the very initial stages of their projects i e before express or implied commitments are entered into with foreign parties in respect of equipment or stores which could be supped from indigenous sources

Materials Planning

The Materials Planning Cell prepared studies in respect of the following non-ferrous metals during the year 1970-71 —

(1) Sulphur
(2) Rock-phosphate
(3) Tungsten
(4) Copper

Data for remaining items viz ferro-molybdenum special steels mercury and rubber is being collected from various sources viz the office of the Chief Controller of Imports and Exports the Mineral and Metals Trading Corporation, the Directorate General of Technical Development and other concerned organisations These studies are expected to be completed shortly

The Materials Planning Cell had been set up with a view to attending to certain tasks in so far as industrial raw materials especially scarce raw materials are concerned With this end in view and to have better co-ordination with other concerned ministries/departments a meeting was held during the year under review to discuss the pattern of co-ordination of the Materials Planning Cell of this ministry with other departments and organisations It was the general view that the Materials Planning Cell could function usefully as a data bank for other government departments as well as for agencies like the State Trading Corporation and the Mineral and Metals Trading Corporation which were importing raw materials on a large scale With its present limited personnel resources it was felt that the Materials Planning Cell should act purely as a servicing agency for the various government departments and corporations till such time as it could be strengthened to meet other needs

The question of setting up a Materials Planning and Allocation Board,

as was envisaged in 1967 by the Committee of Economic Secretaries is also under the active consideration of this ministry

Under the Industries (Development and Regulation) Act, 1951 3033 applications were received during the year 1970 as against 1420 received in 1969 The number of licences issued under the Industries Act during this year is 338 as compared to 221 granted during the year 1969 The addition of these licences, 423 letters of intent were issued during 1970 as against 331 issued in 1969

Foreign Collaboration

The policy of the government of India in respect of foreign investment and collaboration continues to be the same as indicated in the last report Within the broad policy framework it was decided, during the year under report to consider applications for foreign collaboration from the small scale sector, as favourably as possible in order to give a fillip to that sector particularly in the matter of improving the quality of the products During the year two press notes were issued as under

(a) On July 20 1970 a press note was issued with an illustrative list of 121 industries, where significant technological gaps exist and where there could be scope for foreign collaboration, with a view to enabling the entrepreneurs to take investment decisions and plan their future activities

(b) Earlier on May 30 1970 the government issued a press note calling upon all the Indian companies having running foreign collaboration agreements, to submit returns annually, in a prescribed proforma, until the expiry of the collaboration agreement, in order to facilitate maintenance and utilisation of statistics

The Foreign Investment Board which is responsible for all matters relating to foreign private investment and collaboration completed two years of its existence in December, 1970 During the year 1970 429 applications for foreign collaboration or investment were received in the secretariat of the Board as against 322 applications received during the year 1969 Approvals were accorded in 183 cases in the year 1970 as against 135 cases during the year 1969

Capital Goods

During April 1 1970 to December 31 1970 the total capital goods approvals accorded by the Capital Goods (Main) Committee Capital Goods (Ad hoc) Committee and Capital Goods Committee on Export Oriented Industries were as under

	Value approved
	(Rs lakhs)
Capital Goods (Main) Committee	4781 63
Capital Goods (Ad hoc) Committee	839 05
Capital Goods Committee on Export Oriented Industries	326 91

The industry wise break-up of approvals accorded by the Capital Goods (Main) Committee is as follows.

Industry	Value approved
	(Rs lakhs)
Automobiles	452 43
Electricals	574 55
Engineering	500 31
Iron and Steel	284 29
Metals (other than Iron and Steel)	341 22
Cement, Ceramics & Refractories	43 48
Rubber	25 83
Chemicals	1424 19
Paper & Paper Board and Pulp	125 04
Textiles (non-cotton)	507 94
Miscellaneous	502 35
Total	4781 63

Production in the Organised Sector

While the units in the small-scale sector are looked after by State Directors of Industries, those in the large and medium-scale sectors are registered with the Directorate General of Technical Development Figures given in the table below relate to the units in the organised sector

PRODUCTION OF INDUSTRIES IN 1969 AND 1970

Sl No	Name of the Industry	Accounting unit	1969 No of units	1969 Installed capacity	1969 Actual production	1970 No of units	1970 Installed capacity	1970 Actual production	Remarks
1	2	3	4	5	6	7	8	9	10
	INDUSTRIAL MACHINERY								
1	Sugar Mill Machinery	Rs lakhs	16	2100 00	1242 00	16	2100 00	1376 29	
2	Cement Mill Machinery		10	2300 00	980 00	10	2300 00	899 20	
3	Boilers (Industrial and Power)		13	900 00 plus 1 3 MKW	2348 00	14	1150 00 plus 1 3 MKW	3045.20	
4	Conveyors & Wagon Tipplers		18	864 00	630 00	16	864 00	713 60	
5	Drilling Equipment		10	300 00	170 00	10	300 00	175 00	
6	Reduction Gears (including Marine Gears)		13	400 00 plus M G 1500 Nos	361 00	13	400 00 plus M G 1500 Nos	400 00	

(Contd)

PRODUCTION OF INDUSTRIES IN 1969 and 1970 (*Contd*)

1	2	3	4	5	6	7	8	9	10
7	L P Gas Cylinders (including Values and Regulators)	Rs lakhs	6	245 00	407 00	6	245 00	410 00	
8	Printing Machinery		5	48 00	24 00	5	96 00	30 00	
9	Pesticide Equipment Agrl sprayers and dusters		3	725	203	4	725	205	
10	Dairy Machinery	,	3	257	132	3	257	240	
11	Abestos Cement Product Plants	,	1	280	52	1	280	56	
12	Industrial filteration equipments including centrifuges		5	190	152	5	201	203	
13	Industrial Screens		6	212	81	6	226	85	
14	Electroplating Equipment		2	40	41	2	41	44	
15	Feed Mill Plants		1	22 75	24	2	22 75	13	
	(b) Food processing machinery including bottling machines		6	74	23	7	74	25	
16	Rubber Machinery		2	58	22	2	58	18	
17	Coil Winding & Impregnating & Coating Plants		1	25	24	1	25	29	
18	Oil & Gas Firing Equipments		5	97	50	5	97	80	
19	Industrial Dry Cleaning & Laundry Machinery		1	80	53	1	80	32	
20	Ceramics Machinery		1	10	6	1	10	6	
21	Paint & Varnish Machinery including High Temp Liquid/ or Vapour Phase heat generators		5	28	11	5	41	20	
22	Metallurgical Machinery		13		223 08	14		491 58	
23	Building & Construction Machinery		17	587 00	102 73	17	947 76	139 80	
24	Bread Plant and Bread making Machinery		1	12	0 33	1	12 00	5 31	
25	Rayon Machinery		3		91 17	4		103 02	
26	Weighing Machinery		4	388	165 17	4	450	220	
27	Tea Machinery		6	200	178 35	6	230	140	
28	Tobacco Machinery		1	36	16 03	1	36	36	
29	Leather Machinery		1	82	35 21	1	95	28	
30	Rice Dal & Flour Mill Machinery		2	30	50 42	2	30	13	
31	Oil Mill Machinery		9	50	50 57	9	127	100	
32	Industrial type Modern Rice Mill Machinery		2	982	13 03	2	982	200	
33	Paper & Pulp Machinery		12	445 00	330 00	13	606 00	494 00	
34	Chemical & Pharmaceutical Machinery		49	1335 00	1331 00	53	1834 00	1600 00	
35	Coal Mining & Coal Washery	,	9	963 00	155 00	9	963 00	200 00	
36	Steel Plant Equipment	,,	2	Separate capacity of steel plant is not available	1011 00	2	Separate capacity of steel plant is not available	1500 00	

(*Contd*)

PRODUCTION OF INDUSTRIES IN 1969 and 1970 (Contd)

1	2	3	4	5	6	7	8	9	10
	TOOLS & ABRASIVES								
	Group I-A								
1	Machine Tools	Rs lakhs	72	5757 00	2168 56	76	6500 00	2874 75	
	Group I B								
2	Machine Tool Accessories		14	139 00	103 43	16	140 00	171 10	
3	Wood Working Machines		4	35 00	9 22	4	35 00	9 52	
4	Portable Tools		7	265 00	150 51	7	315 00	253 50	
5	Other Metal Forming Machines		5	160 00	82 86	6	200 00	98 00	
6	Plastic Working Machines		3	182 00	126 76	3	283 00	243 32	
	Group I C								
7	Furnaces		14	650 00	323 78	14	650 00	350 00	
8	Gas Welding & Cutting Equipment	"	3	190 00	76 21	3	100 00	78 29	
9	Electric Welding Machines		2	70 00	67 54	2	70 00	66 05	
10	Other (Re-rolling Mills etc)		4	97 00	56 36	4	97 00	140 12	
11	Grinding Wheels	Kgs	4	4940000	4576800	4	5940000	5991386	
12	Coated Abrasives	Reams	3	272000	156008	3	272000	153541	
13	Steel Files	Th Nos	6	10100	12872 3	6	10100	12662 9	
14	Twist Drills		7	10060	3895 3	7	100 60	10132 5	
15	Reamers	Nos	14	298000	207874	14	208000	187477	
16	Threading Tools		10	2807000	204646	10	2807000	2523860	
17	Milling Cutters		16	420000	293248	16	420000	301587	
18	Bandsaw Blades (W)	R M	5	1205000	735339	5	1205000	870459	
19	Bandsaw Blades (M)		4	1135000	1065266	4	1135000	1373507	
20	Hacksaw Blades	Th Nos	5	41000 00	25782 2	5	41000 00	19691 2	
21	Tungsten Carbides(s)	Kgs	5	146000	119351	4	170000	15452	
22	Lathe Tools (Tool Bits)	Nos	10	1001000	837961	10	1001000	783701	
23	Diamond Drill Bits		5	45000	16404	5	45000	18257	
24	Tungsten Carbide Tipped Tools		7	926000	558901	6	726000	734076	
25	Broaches		1	2400	2849	1	2400	3608	
26	Measuring Tapes		-	3003000	1774570	2	3003000	1472960	
27	Industrial Machine Knives		5	700000	152323	5	700000	166667	
28	Forged Hand Tools	Rs lakhs	9	364 40		8	364 40	594 77	
	AUTOMOBILE AND ANCILLARIES								
I	*Automobiles*								
	(a) Commercial Vehicles	Nos	7	62 500	35 161	7	62 500	40,594	
	(b) Cars	Nos	3	39 500	35 264	3	39 500	35 829	
	(c) Jeeps	Nos	1	10 000	7 837	1	10 000	9,334	
II	Motor Cycles Scooters 3 Wheelers	Nos	8	1 04 500	99 862	8	1 04 500	1 17,206	
	Mopeds & Scooterette		3		16 53 643	3		21 02,985	
III	Nozzles		3		6 58 623	3		6 40 221	
	Nozzle Holders		4		14 13 632	4		22 15 045	
	Elements		3		13 16 087	3		20,00 000	
	Delivery Valves		3		3 92 505	3		3 06 713	
	Single Cylinder Pumps		1		61 176	1		67,824	
	Multi Cylinder Pumps		5		3 64 815	5		5,26,250	
	Filter (Oil Air Fuel)		4		11 85 934	4		30,15,707	
	Filter Inserts		3		80 50 986	3		1,00,00 000	
	Thin Walled Bearings		6		1 12 749	7		1,46,229	
	Radiators		4		1 22 429	4		1,38,175	
	Dynamos		4		1 11 011	4		1,37,300	
	Starter Motors		6		2 08 214	6		2 39 978	
	Electric Horns		2			2		12,96,609	
	Dash Board Instruments (lac)		3		5 87 00 547	3		4 90,46,217	
	Gaskets		2		6 33,893	2		6,29,631	
	Wheels & Rims								

(Contd.)

PRODUCTION OF INDUSTRIES IN 1969 AND 1970 (*Contd.*)

1	2	3	4	5	6	7	8	9	10
	Engine Valves ..	Nos.	4	..	38,54,463	4	..	53,93,532	
	Oil Seals	,,	7	..	78,36,682	7	..	1,24,39,725	
	Piston Rings ..	,,	3	..	2,04,67,666	3	..	2,25,00,000	
	Pistons	,,	4	..	21,77,8154	4	..	23,00,000	
	Cylinder Liners ..	,,	3	..	2,68,009	3	..	2,75,000	
	Shock Absorbers ..	,,	6	..	11,92,648	6	..	11,63,169	
	Clutch Facings. ..	M. Tons	3	..	1,63,251	3	..	228 746	
	Brake Assembly ..	Nos.	2	..	1,39,753	3	..	1,05,957	
	Brake Linings ..	M. Tons	5	..	1983.877	5	..	2434.902	
	Spark Plugs	Nos.	2	..	24,59,908		..	9,02,406	
	Taxi Meters ..	,,	1	..	845	2	..	772	
	Tie Rod Ends ..	,,	2	..	5,57,955	2	..	6,24,660	
	Propeller Shafts ..	,,	1	..	66,324	1	..	74,864	
	Fly Wheel Ring Gears	,,	1	..	8,459	1	..	82,813	
	Carburettors ..	,,	3	..	33,004	3	..	43,289	
	Wiper Motors ..	,,	3	..	86,425	3	..	1,02,883	
	Wiper Arms & Blades	,,	1	..	4,28,520	1	..	6,53,682	
	LIGHT ELECTRICAL INDUSTRIES								
1	G L S Lamps ..	Nos	10	77.35 M Nos	90332105	11	83.35 M Nos	102776560	
2	Fluorescent Tubes ..	Nos	7	8.20 M Nos	10237165	7	8.20 M. No.	10640754	
3.	Miniature Lamps ..	Nos.	6	30.80 M. Nos.	35114298	7	33.80 M. Nos.	39251736	
4.	Electric Fans ..	Nos.	16	1815600	1554499	16	1815600	1623984	
5.	Storage Batteries ..	Nos.	6	948000	1156748	7	1068000	1142760	Shortage of raw material etc.
6.	Dry Batteries ..	Nos.	6	469000000	476634323	6	469000000	481065508	
7.	Domestic Refrigerators	Nos.	6	36800	48625	6	36800	62908	
8.	Room Air Conditioners	Nos.	7	28280	12892	7	28280	20036	
9.	Electrical Wiring Accessories	Nos.	4	7228000	2079947	5	9244000	5841556	
10.	Brass Lamp Holders	Nos.	4	2219000	564984	4	2219000	612000	
11.	Industrial Air Conditioning and Refrigeration Equipment ..	Rs lakhs	19	—	564.60	19	.	844 38	
12.	Industrial Cooling Tower	Rs lakhs	3	—	144.80	3	..	137.86	Due to lack of demand.
	HEAVY ELECTRICAL INDUSTRIES								
1.	Electric Motors ..	HP	20	2568960	2076009	20	2568960	3194046	
2.	Transformers ..	KVA	21	5995000	5042228	23	6265000	7518359	
3.	Motor Starters ..	Nos.	11	377764	456434	11	377764	516124	
4.	Electrical Steel Sheets	M. Tons	1	18000	30429	1	18000	31040	
5.	Switchgear & Control Gear (excluding Motor Starters) ..	Rs lakhs	24	—	2306 78	35	..	2964.10	This includes the value of Motor Starters. A number of items are included under this category for which licensed capacities are not available in terms of value
	Cables & Wires								
6.	VIR & PVC Cables	KM	25	8071411	371708	26	814232	430324	
7.	ACSR & AAC ..	M. Tons	30	94830	59541	33	97830	64954	
	Winding Wires.								
8.	(a) Enamelled Wires	M. Tons	25	25448	14585	29	27308	16904	
	(b) Paper Cotton covered wires & Strips								
9.	(a) Paper Insulated Power Cables	KM	7	8360	2276	7	8360	2298	
	(b) PVC Power Cables	,,	10	13692	11360	10	13692	13464	

(*Contd.*)

PRODUCTION OF INDUSTRIES IN 1969 AND 1970 (*Contd*)

1	2	3	4	5	6	7	8	9	10
	HEAVY ENGINEERING INDUSTRIES								
1	Steel Castings	M T	43	1,29,000	47,110	43	1,29,000	44,914	
2	C I Spun Pipes		8	4,38,360	1,32,129	8	4,38,360	1,65,462	
3	S G Iron Castings		13	8,808	1,334	13	8,808	1,500	
4	Malleable Iron Castings		14	22 260	13,837	14	22,260	1,600	
5	C I Castings including Alloy Iron		95	3 84 500	1,75,000	95	3,84,500	1,68,000	
6	C I/Steel Shots & Grits		4	8 640	3,457	4	8,640	3 500	
	INSTRUMENTS								
1	Industrial Process & Controlling Instruments	Rs lakhs	9	1292 00	323 02	9	1292 00	575 00	
2	Scientific Survey, Optical Instruments & Mathematical Instruments		12	375 00	242 59	12	375 00	318 00	
3	Water Meters	Nos	6	3 5 (lakhs)	1 25	6	3 5 (lakhs)	1 42	
4	X-Ray & Electro-Medical Equipment	Rs lakhs	5	255 00	121 44	5	255 00	223 00	
5	Medical & Surgical Instruments and Equipments		7	300 00	76 18	7	300 00	126 8	
6	Photographic & Photo Copy Industry	,,	2	*88,000 plus Rs 10 00 (lakhs)	26 00	2	*88,000 plus Rs 10 00 (lakhs)	1 30 Rs 3 00 (lakhs)	*Capacity for cameras
7	House Service Meters Industry	Lakh Nos	15	SP 15 83 PP 3 22	SP 15 78 PP 2 34	8	SP 15 83 PP 3 22	SP 16 27 PP 4 3	Single phase Poly phase
8	Electrical Measuring Instruments	Rs lakhs	8	250 00	146 68	8	250 00	210 00	
	HEAVY MECHANICAL INDUSTRIES								
1	Light & Medium & Heavy Structurals	M Tons	86	3 60 lakhs	0 90 lakhs	88	3 63 lakhs	1 15 lakhs	
2	Cranes (other than Mobile, Trawler mounted)		24	24 700	5 705	27	37,000	6,000	
3	Black & Galvanised Steel Pipes for Water Structurals etc		12	4 71,460	2,99,273	14		2,10 000	Fall due to shortage of Skelp/Strips
4	ERW Tubes for Bicycles Transformers etc	M Tons	6	44 400	25 998	7		34,000	
5	Seamless Steel Tubes		1	10 000	24,429	1	39,600	32,000	
6	Wire Ropes		9	36 240	18,191	9	36,240	18 700	
7	Bright Bars		9	57,500	44,292	9	57,500	47,000	
8	Transmission Towers		14	93 100	52,727	14	93,100	60,000	
9	Welding Electrodes	Million R M	20	4 61 000	2 60 000	20	4,97,000	315	
10	Wagon	Nos	16	30 409	12 300	16	31 059	12,500	
11	Lifts	,,	4	670	523	4	670	450	Fall due to lack of demand
12	Penstock	M Tons	4	24 000	5 313	4	24,000	6,300	
13	Large dia Pipes		6	14 325	6 400	6	14 325	8,000	
14	Tubular Structurals & Pipe manipulation	,,	2	3,000	2 249	2	3 000	3,600	
15	Slotted Angle and cold formed sections	,,	4	9 900	2 890	5	12,300	4,500	

(*To be Continued*)

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